



COVID-19: Economic Implications and Policy Response

Global Coworking Unconference Community

October 27, 2020
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Executive Director, NEED



1

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: 52 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: 520+ 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: 45 Ph.D. Economists**

- Aid in slide deck development

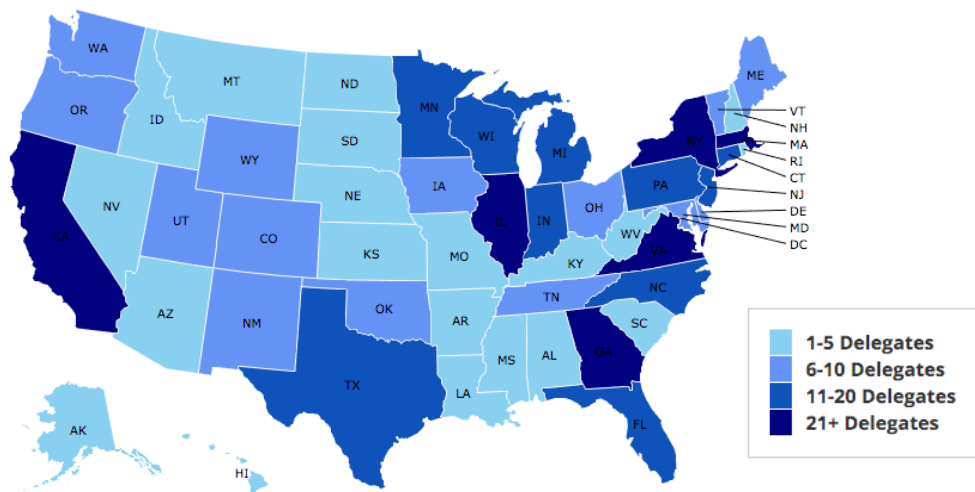


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3

3

Where Are We?



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4

4

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
- 2017 Tax Law
- Autonomous Vehicles
- US Social Policy



5

Credits and Disclaimer

- **This slide deck was authored by:**
 - Jon D. Haveman, NEED
 - Scott Baier, Clemson University
 - Geoffrey Woglom, Amherst College (Emeritus)
- **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).



6

Outline

- What is this?
- Evidence of Impact
- Government Policy
- What to expect going forward



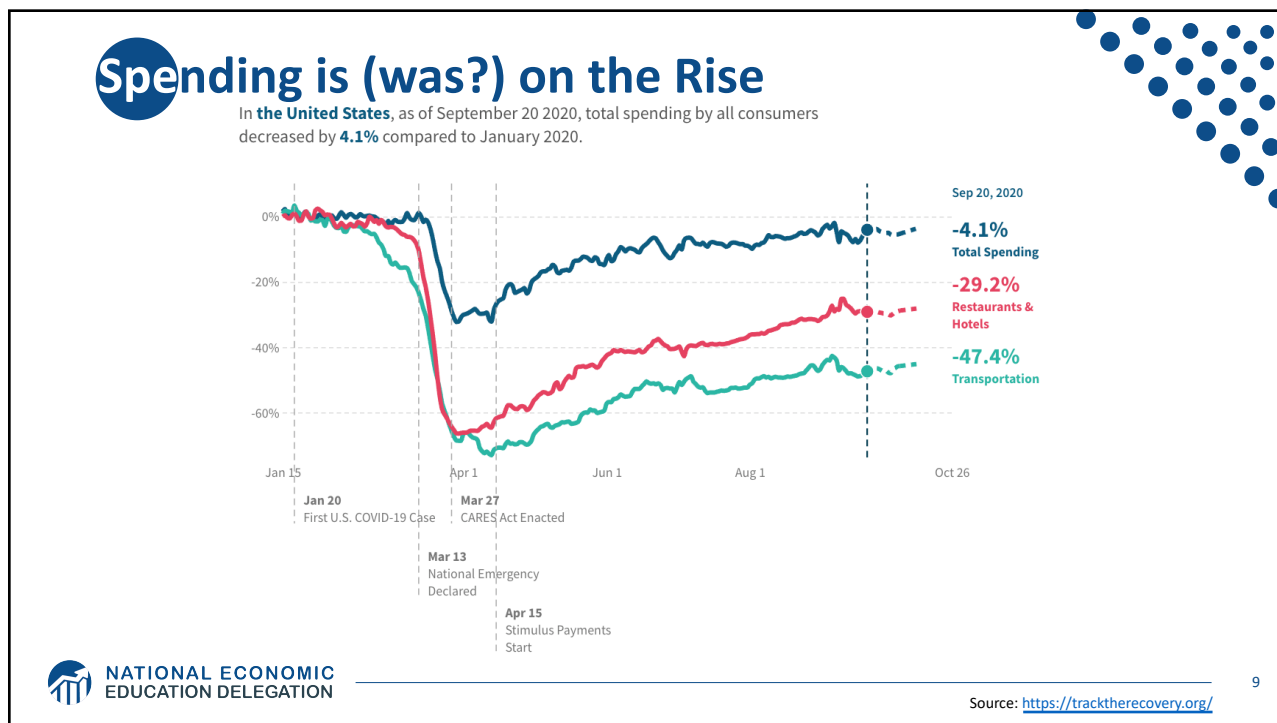
7

What is this?

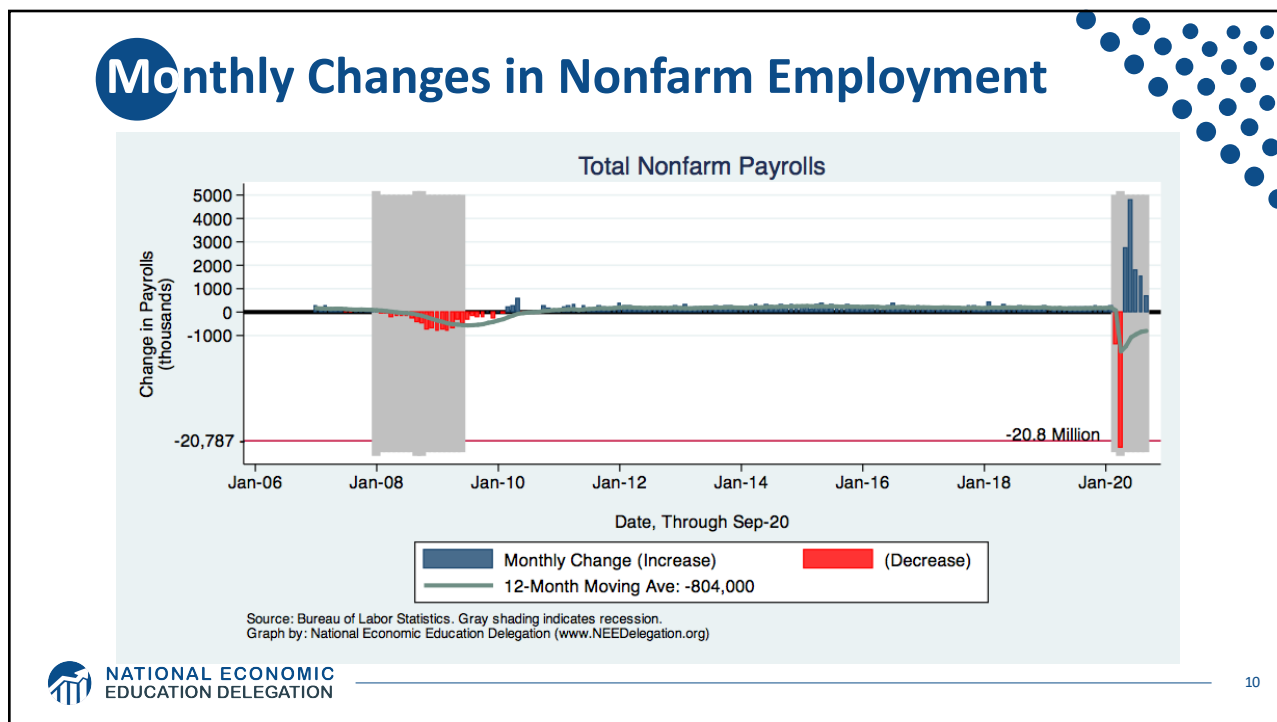
- **A natural disaster – with important twists:**
 - Global
 - Duration is unpredictable
 - Economic toll is enormous and potentially durable
- **A health crisis that spilled over onto the economy.**
 - A perfect storm of economic difficulty
 - Supply side
 - Demand side
 - Financial
 - Without a culprit



8

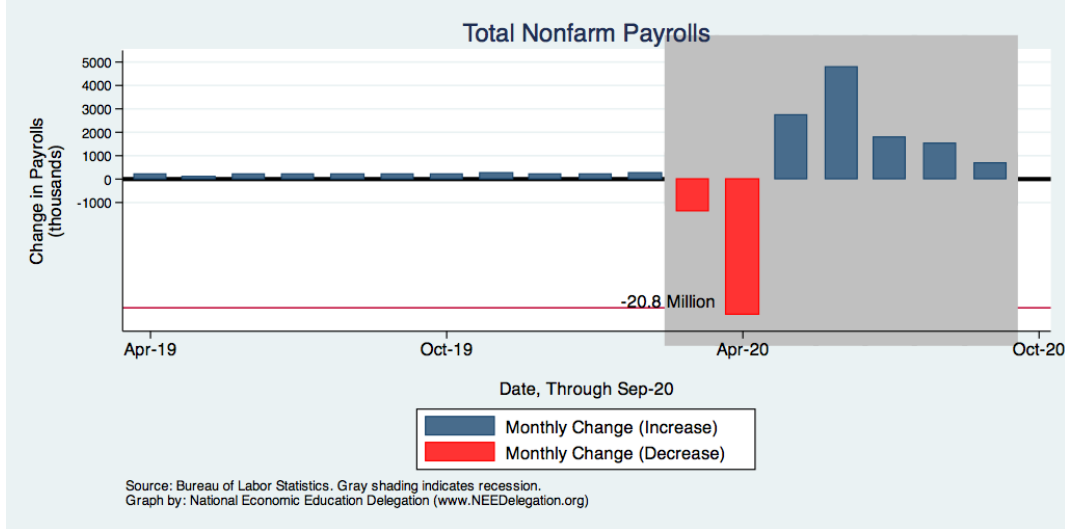


9



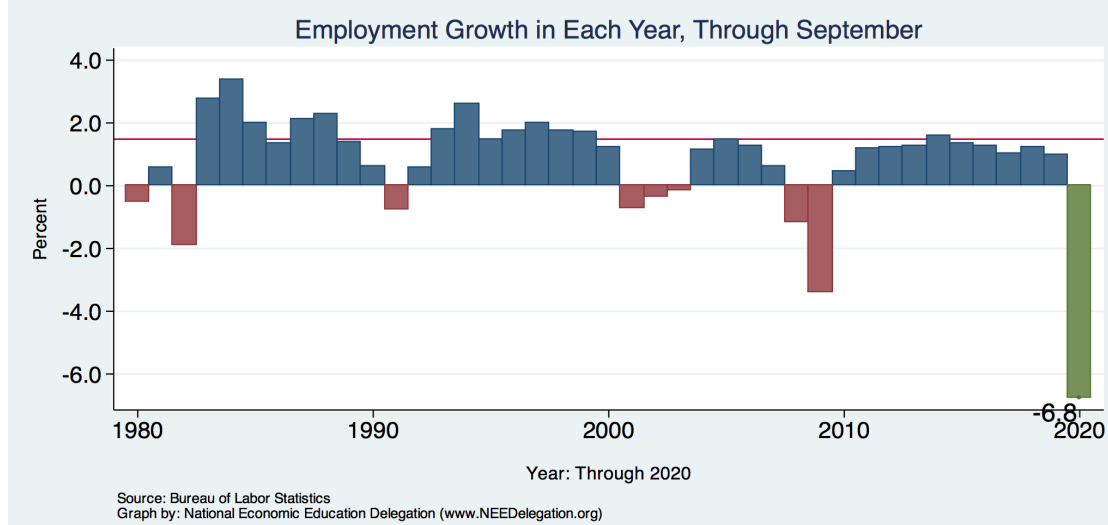
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Monthly Changes in Nonfarm Employment



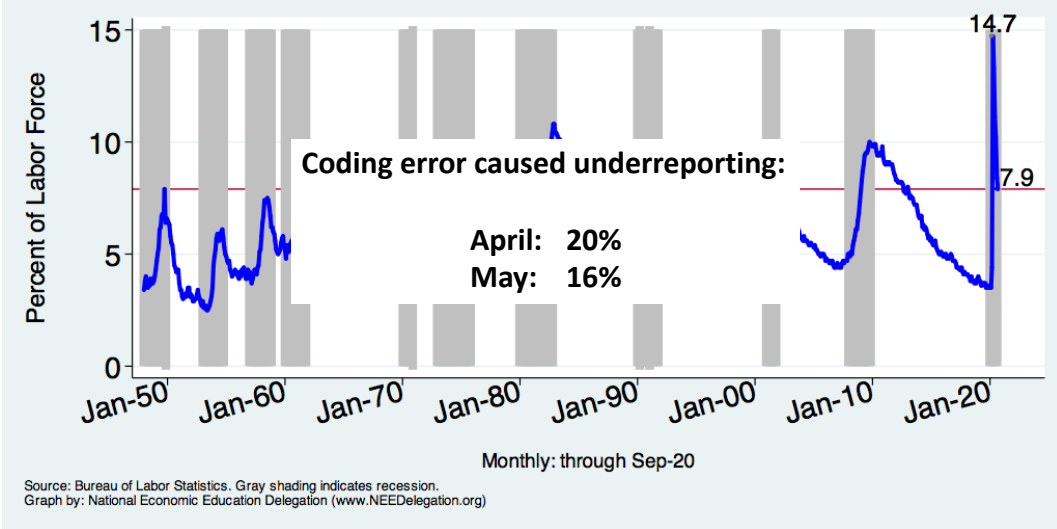
11

Annual Changes in Nonfarm Employment



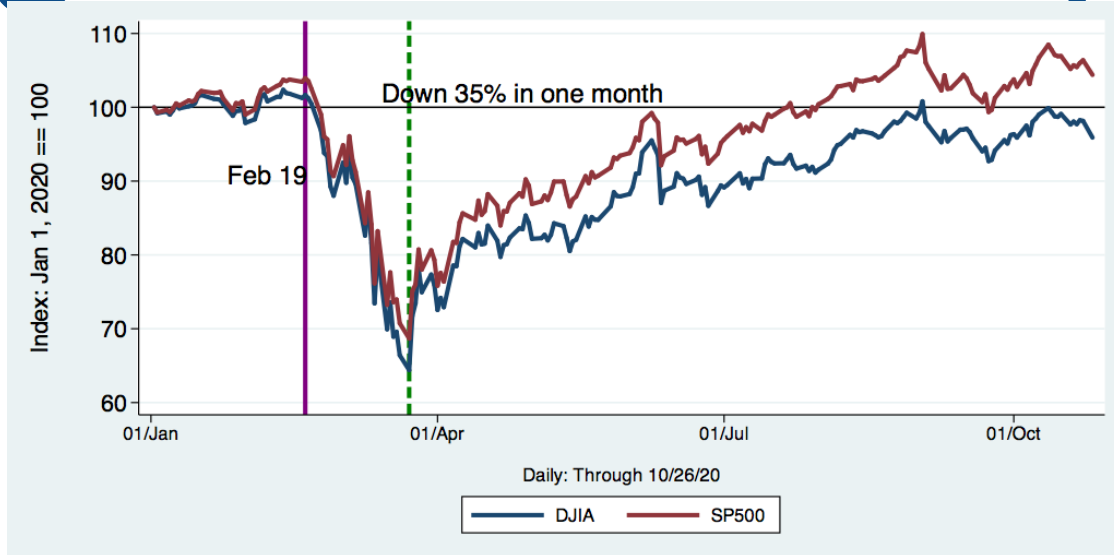
12

Unemployment Rate

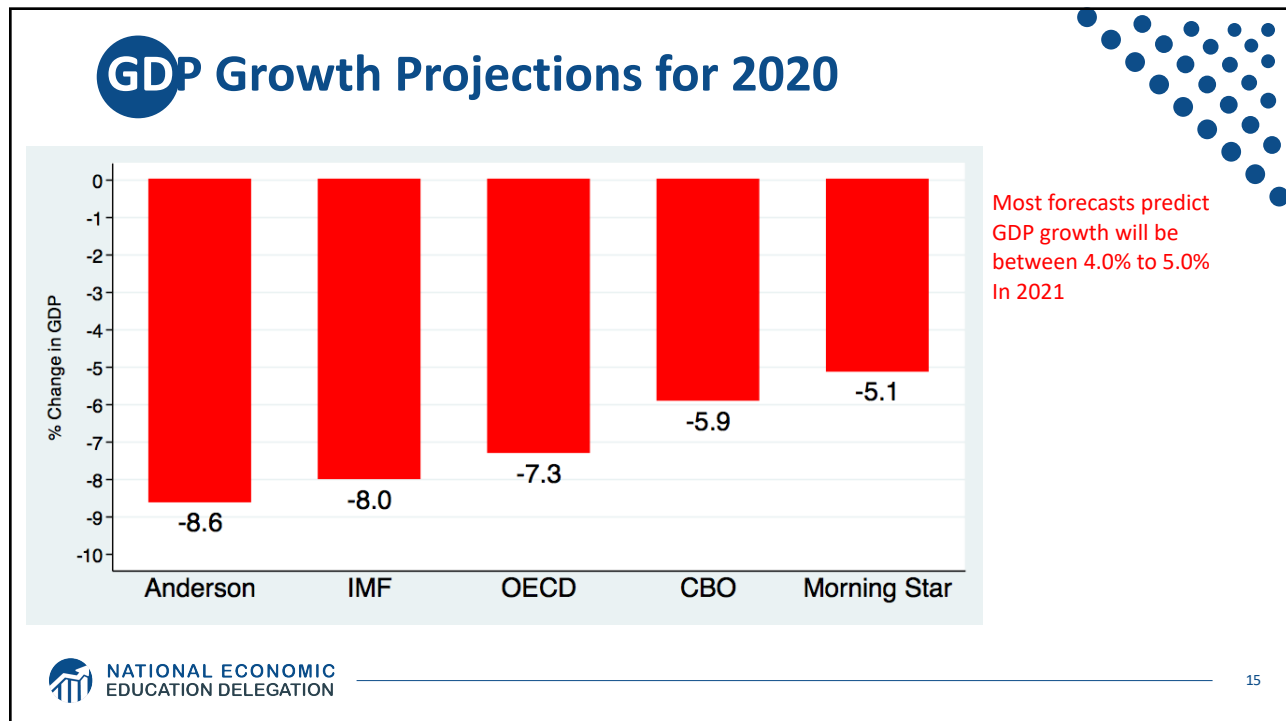


13

DJIA and S&P 500



14



15

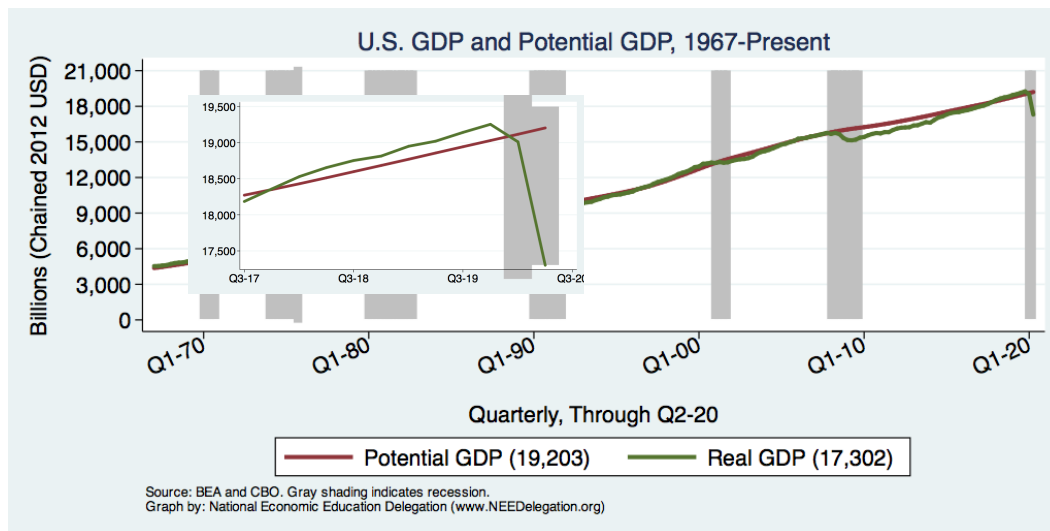
A Note on Q3 GDP Release on Thursday

- **What to expect?**
 - May well come in at 30+%
- **How should we feel about this?**
 - Not that great. Still down significantly for the year.
 - Recovery started stalling out in September.
 - Employment growth was slow.
 - Labor force dropouts increased.
 - More temporary layoffs became permanent.
- **Bottom line: # would have to be 51% for recovery of Q4-2019 levels.**

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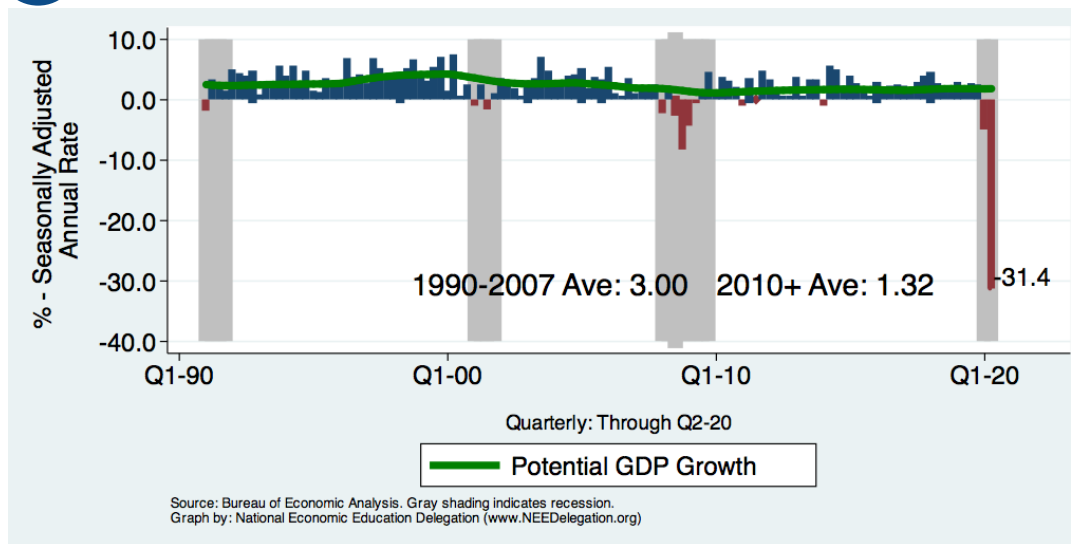
16

GDP Trajectory: Pandemic Plunge!



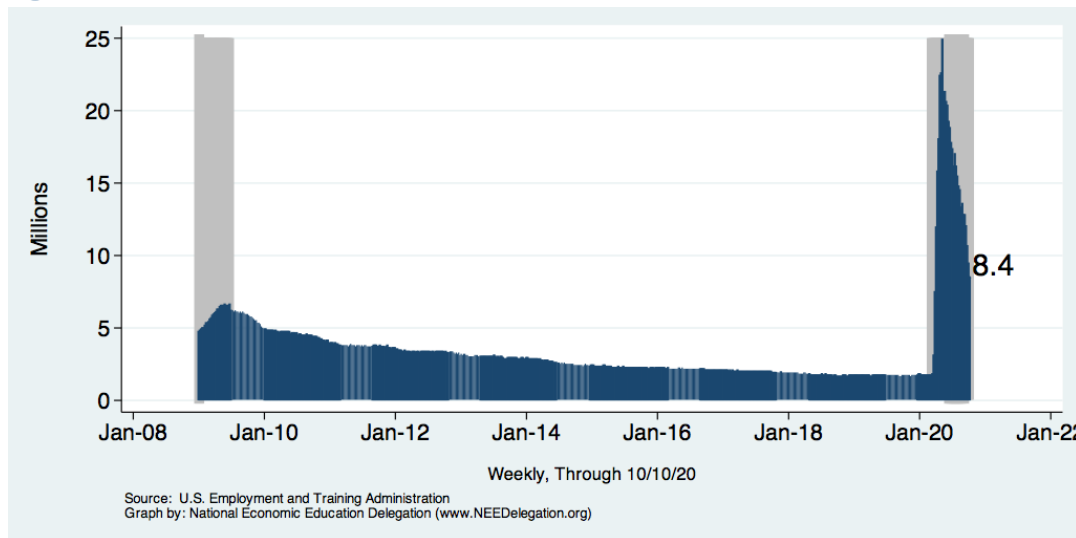
17

GDP – Quarterly Growth

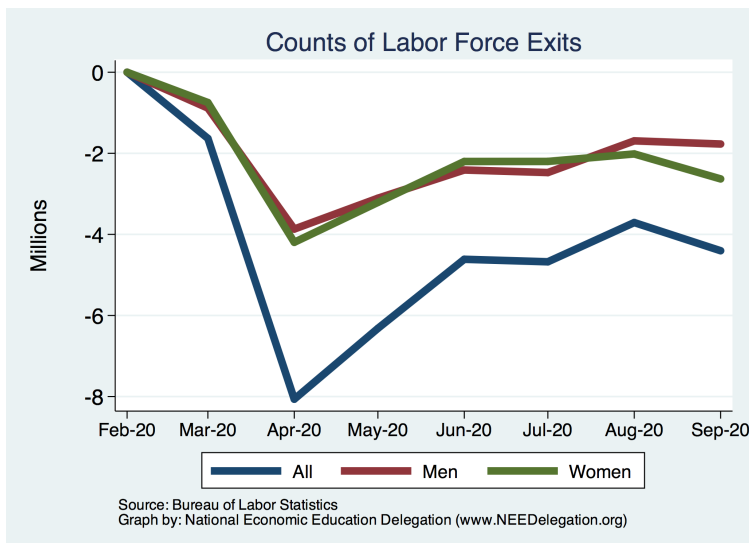


18

Continuing Unemployment Claims



Labor Force Declines

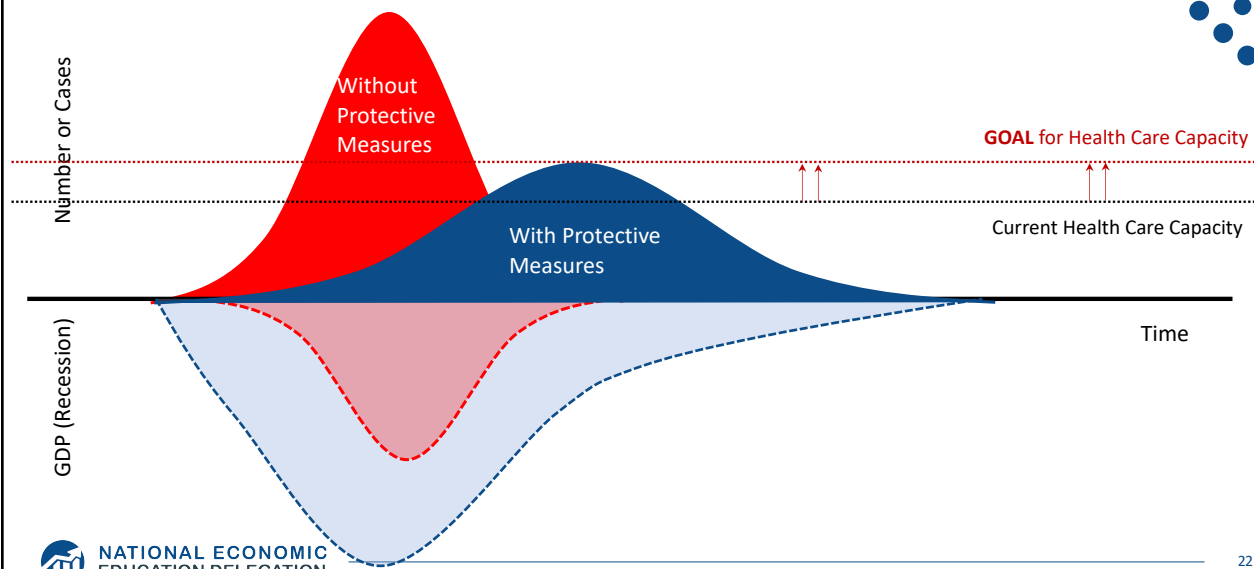


A Tale of Three Policies Efforts

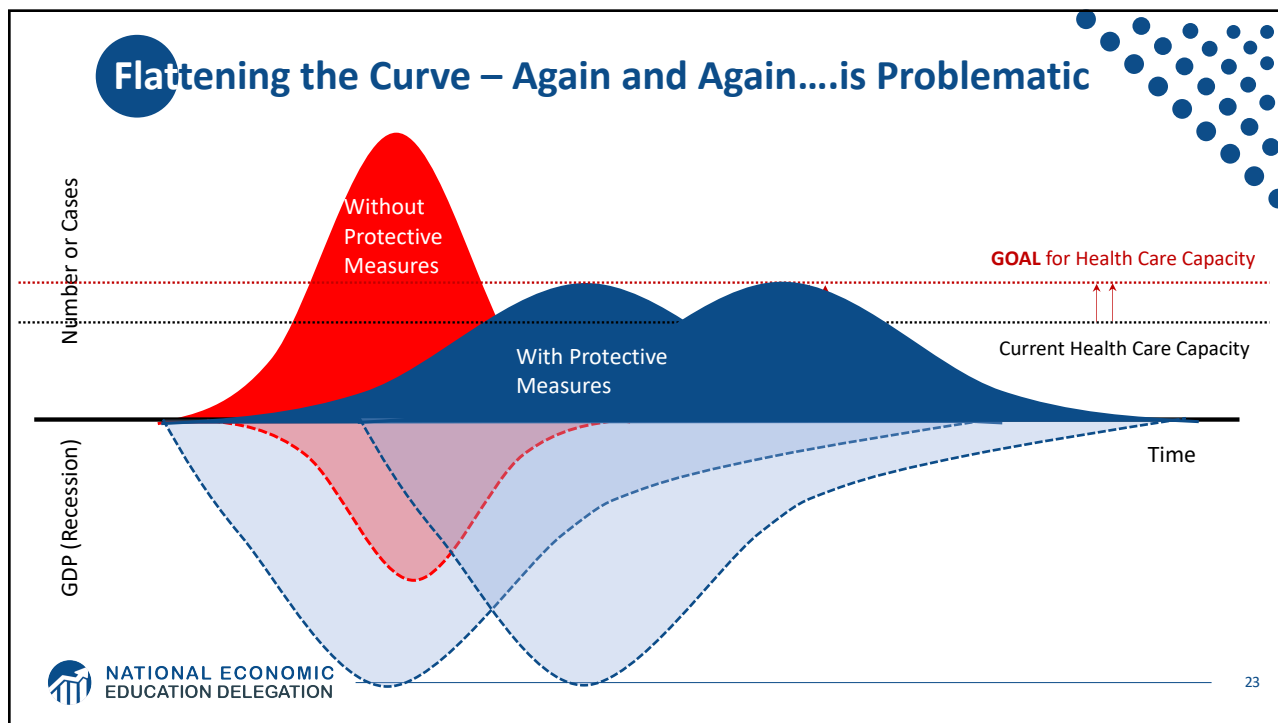
- Social policy: Social Distancing
- Fiscal Policy
- Monetary Policy

21

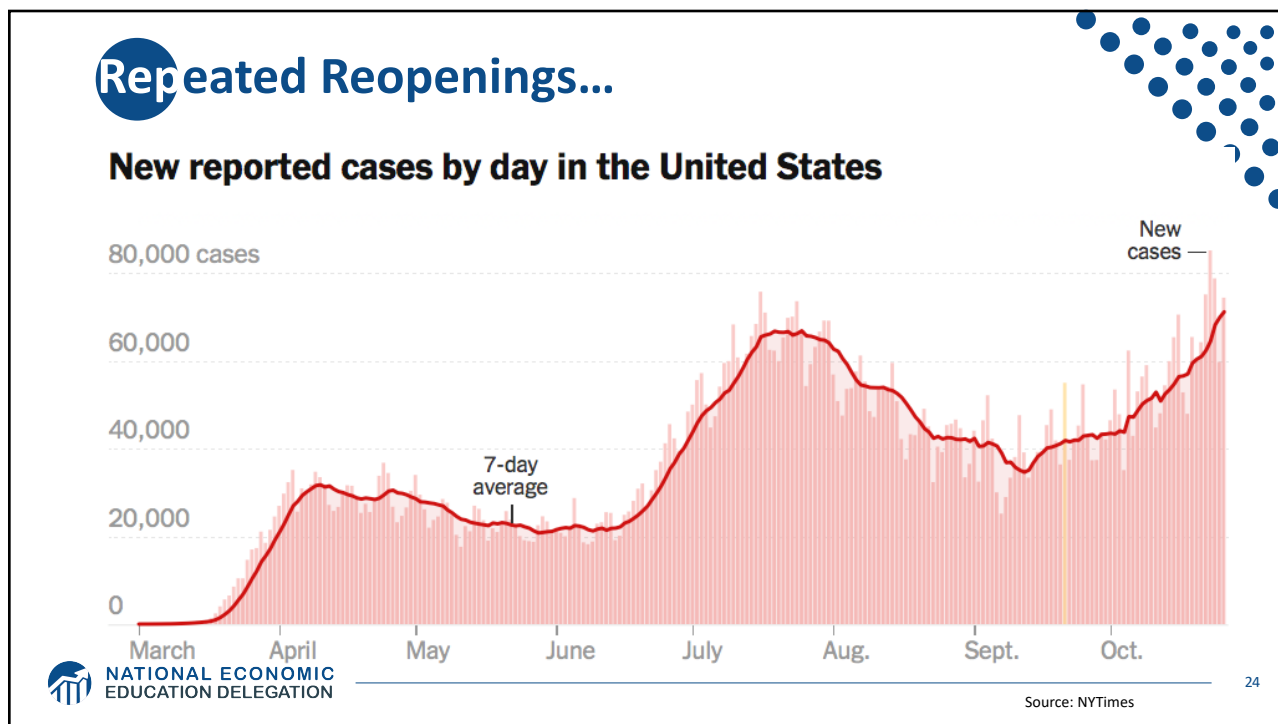
Flattening the Curve and Lengthening the Recession



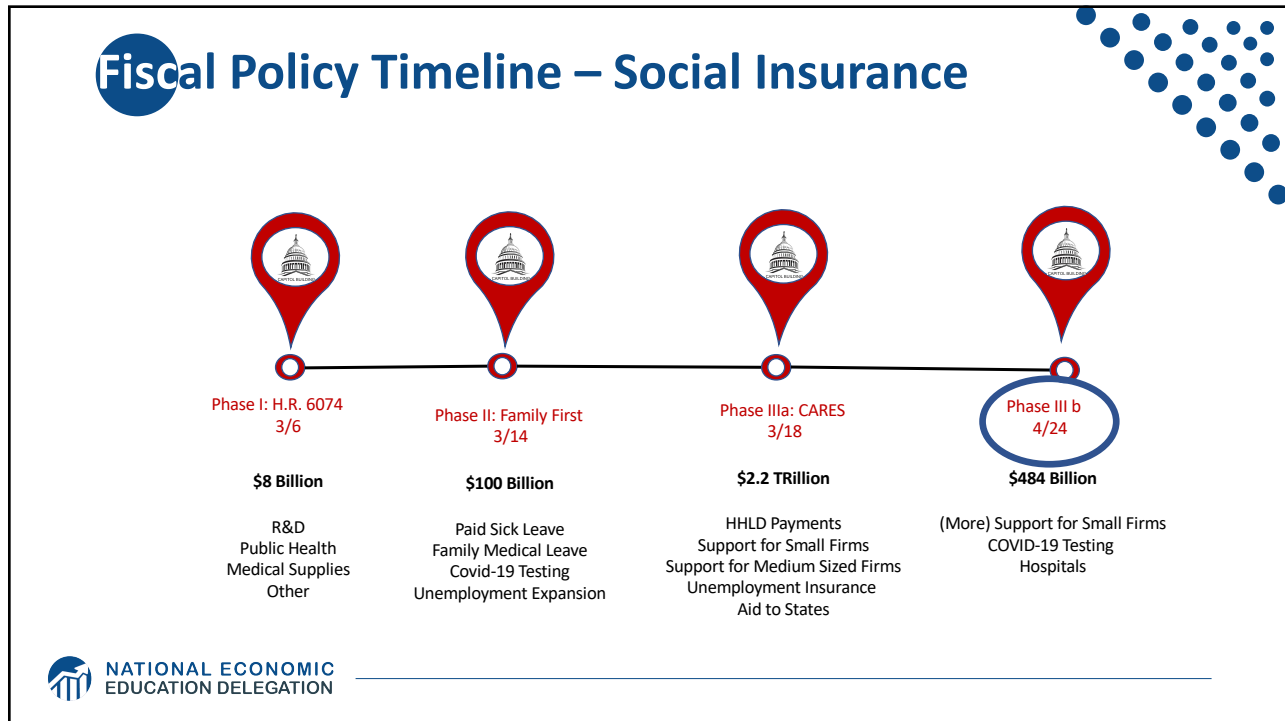
22



23




24



25

Monetary Policy – Federal Reserve

- **Two primary objectives**
 - Stabilize the economy
 - Maintain liquidity of the system
- **Actions in three forms:**
 - Traditional interest rate stimulus
 - Inject cash into the system
 - Shore up existing debt and structures

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26

Thoughts on Policies to Date

- **Costs are enormous, but we are doing the right thing!**
 - And we are doing it **VERY QUICKLY!**
- **Monetary policy: Heroic! A+**
- **Fiscal policy grade: Emergency Pass**
 - Direct cash payments
 - Are they really getting into the hands of those most in need?
 - Corporate or otherwise?
 - Right strategy to maintain employee-employer ties?
 - What about states and local governments?



27

There is an Enormous Fiscal Policy Gap

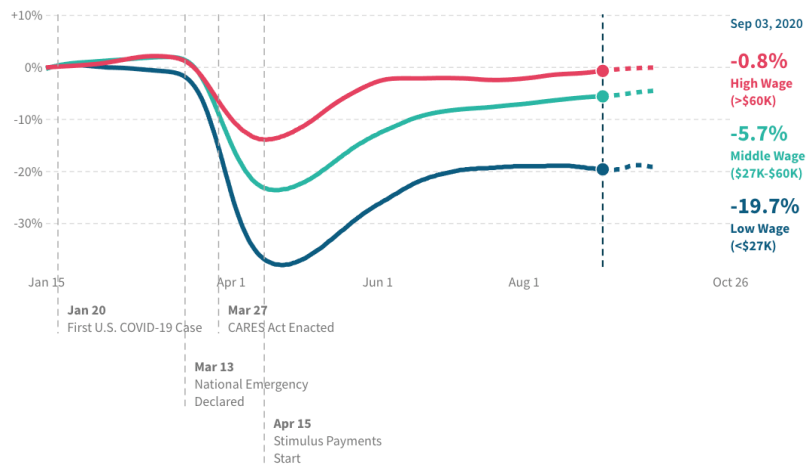
- **The last time Congress acted was April 24.**
- **Unemployment payments are not sufficient.**
- **Low wage workers are in trouble.**
- **Small businesses are struggling.**
- **Renters can't pay rent.**
- **Lines at food banks are very long.**
- **States and local governments are slashing budgets.**



28

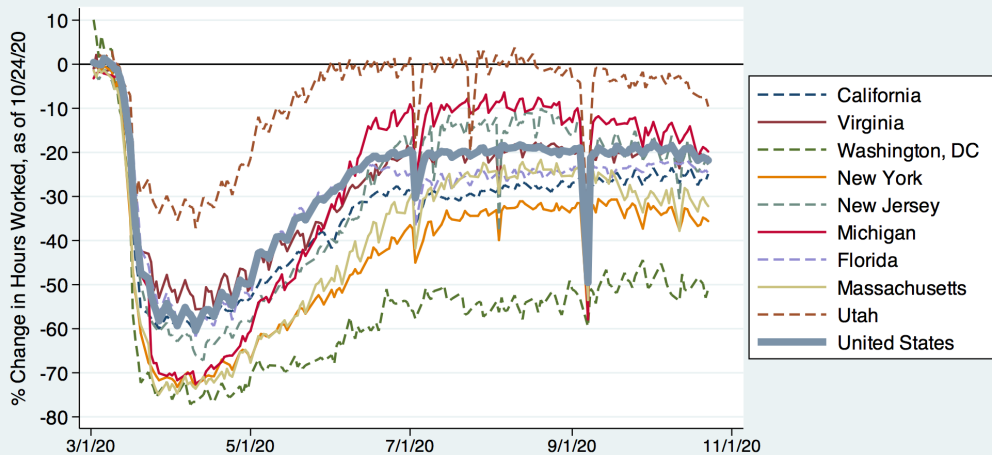
Low Wage Employment is Lagging

In the United States, as of September 03 2020, employment rates among workers in the bottom wage quartile decreased by **19.7%** compared to January 2020 (not seasonally adjusted).



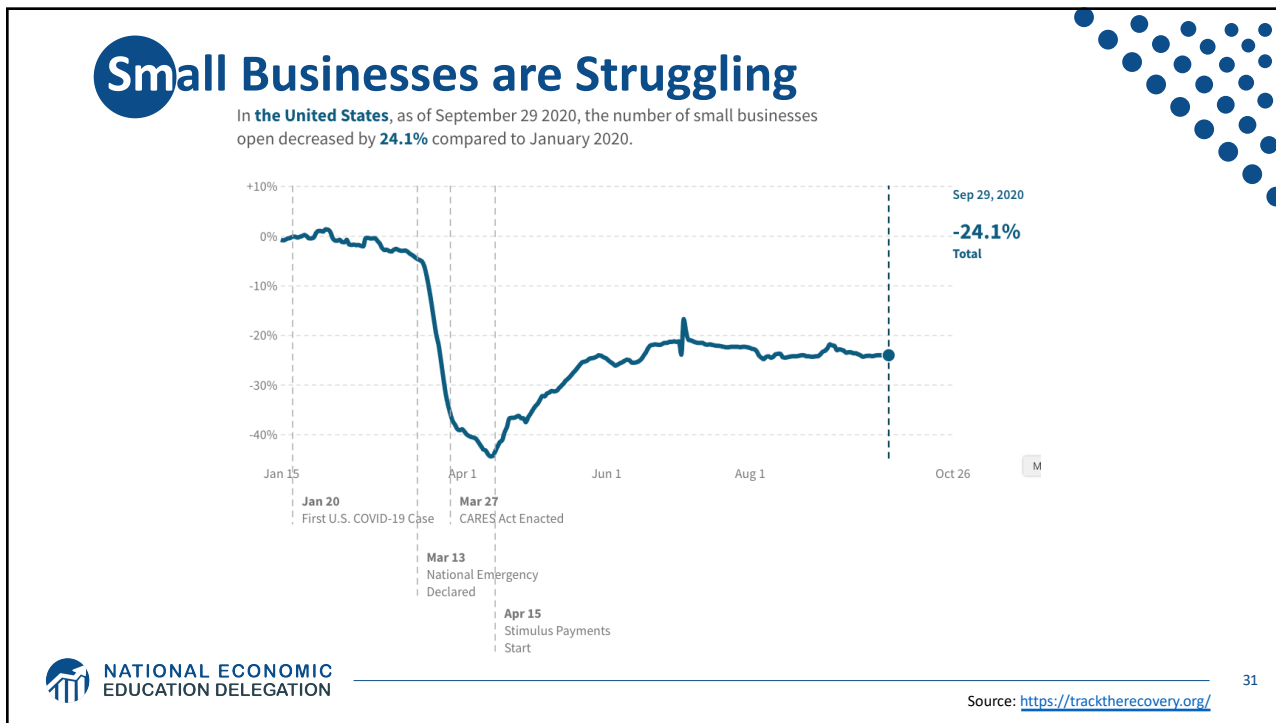
29

Hours Worked – Hourly Workers



Source: HomeBase - Values are relative to the January Daily Average
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

30



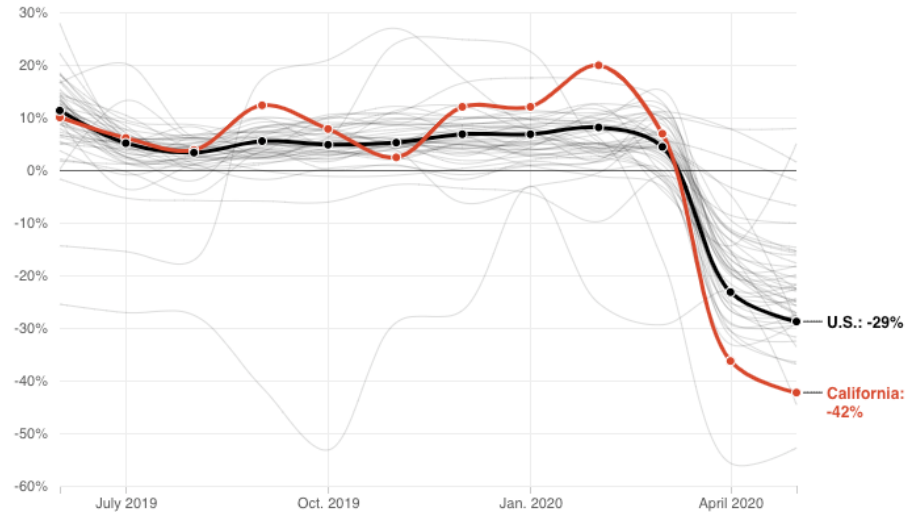
31



32

California's Revenue Shortfall

CHANGE IN MONTHLY REVENUE VS. PREVIOUS YEAR (3-MONTH AVERAGE)



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33

Source: NPR.org

33

Conclusion

- **COVID-19 is health crisis that has macroeconomic implications.**
 - With enormous built-in inequities.
- **GDP will likely contract between 6.0 and 9.0 percent this year.**
 - Positive growth will likely return in 2021
- **Significant structural changes.**
 - Telecommuting, telehealth, retail decline.
- **Policy gap will create enormous hardship.**
 - Hunger, evictions, foreclosures, additional deaths.
 - Loss of GDP: 4-5% Unemployment: up 4-5 pts.
- **It might just be time to shut down again.**
 - For both our health and the economy.



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34

34

Real Estate

- **Commercial**
- **Coworking, specifically**
- **In either case:**
 - Timing of what comes next: Who knows?
 - Pay no attention to averages.
 - The average applies to exactly nobody!



35

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?**



36

Commercial RE

- **Dispersion across asset classes**
 - Hospitality – slower recovery, because of industry.
 - Tech – slower recovery because of telecommuting.
- **Dispersion across geography**
 - Coastal – slower recovery because of telecommuting.
 - Interior – slower because economies will come back slower.
- **Recovery will take a lot of time.**
 - Economic recovery of Jan 2020 levels in 2023.
 - Recovery of Comm RE will be well after that.



37

Coworking

- **Currently a suburban vs urban story.**
 - Suburbs are doing better than urbs.
 - Stairs, not elevators.
 - Lots of parking.
- **Longer term, will see more demand overall.**
 - Many companies will want to hedge their bets and will turn to coworking spaces in **urban** areas.
 - o When this will happen at scale is up in the air.
 - Telecommuting fuels **suburban**.
- **When does the longer term start?**
 - Vaccine? Economic recovery?



38

Thank you!

Any Questions?

www.NEEDelegation.org

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