



# COVID-19: Economic Implications and Policy Response

Marin County Dept of Education  
Property Tax Forum

May 6, 2021  
Jon Haveman, Ph.D.  
Executive Director, NEED



## 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.



## 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**
- **Minimum Wages**
- **Immigration Economics**
- **Housing Policy**
- **Federal Budgets**
- **Federal Debt**
- **Black-White Wealth Gap**
- **Autonomous Vehicles**
- **US Social Policy**



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- Jon D. Haveman, NEED
- Scott Baier, Clemson University
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- **Disclaimer**

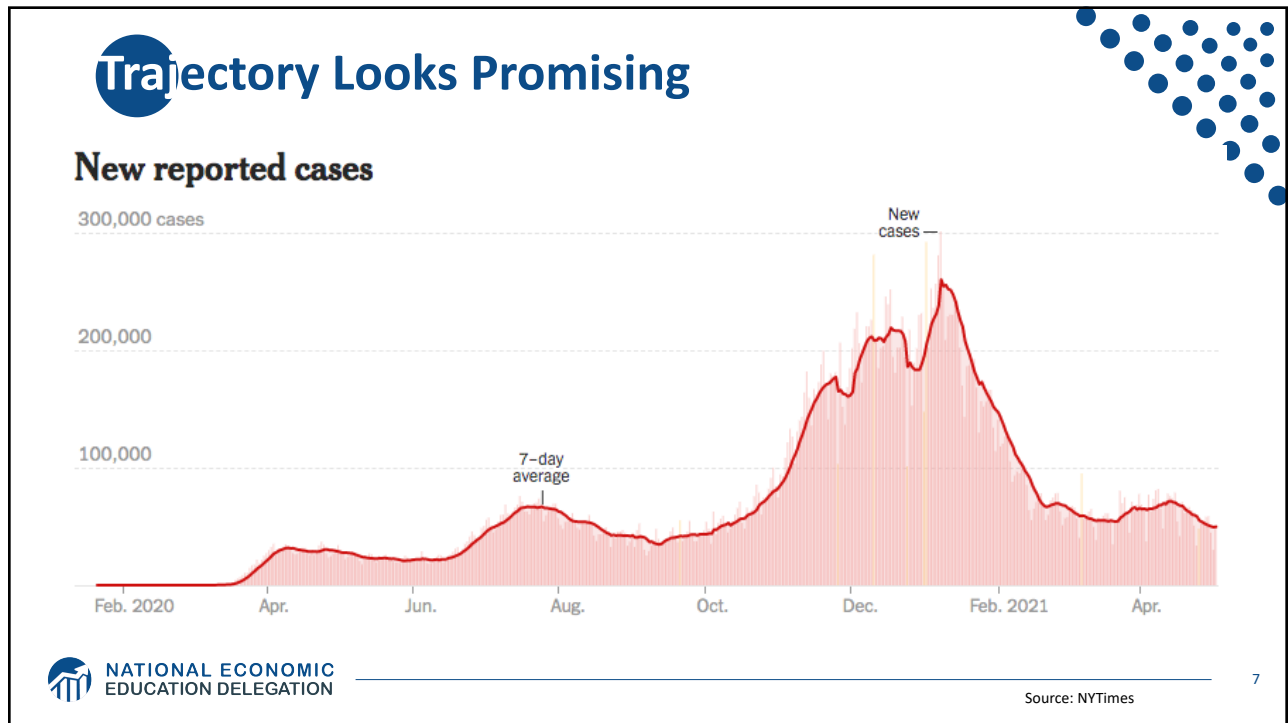
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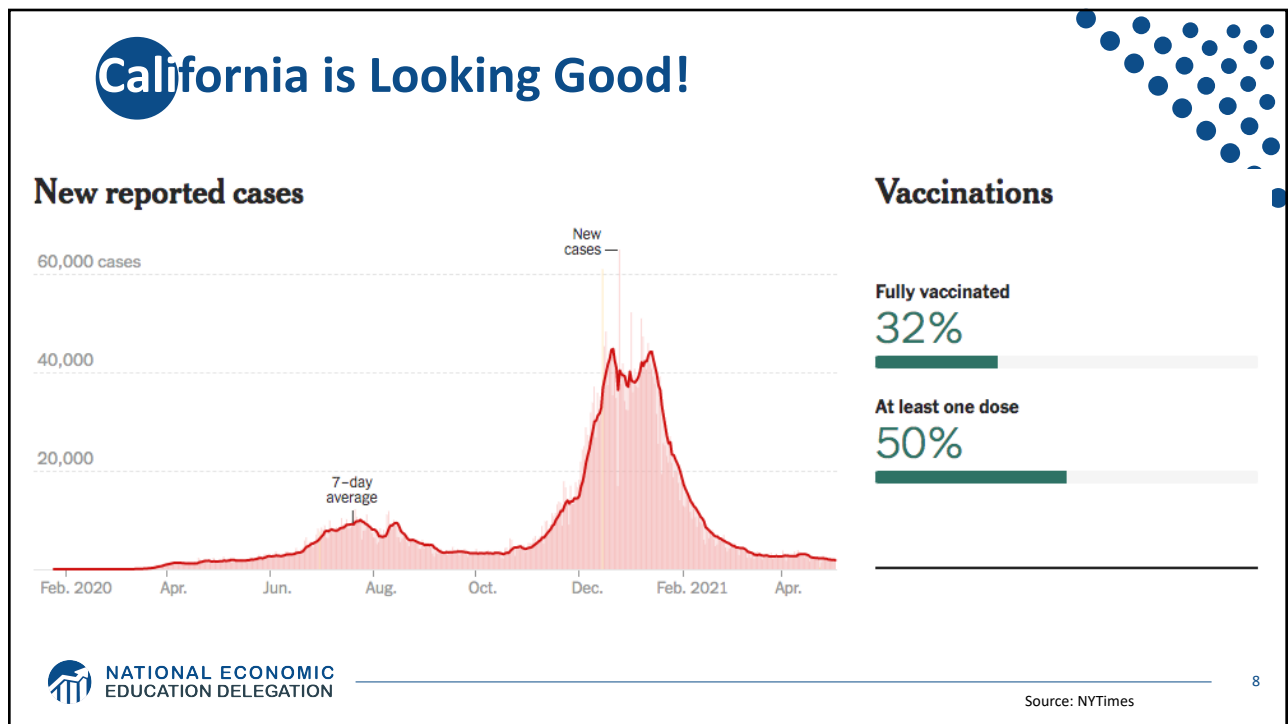
## Outline

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

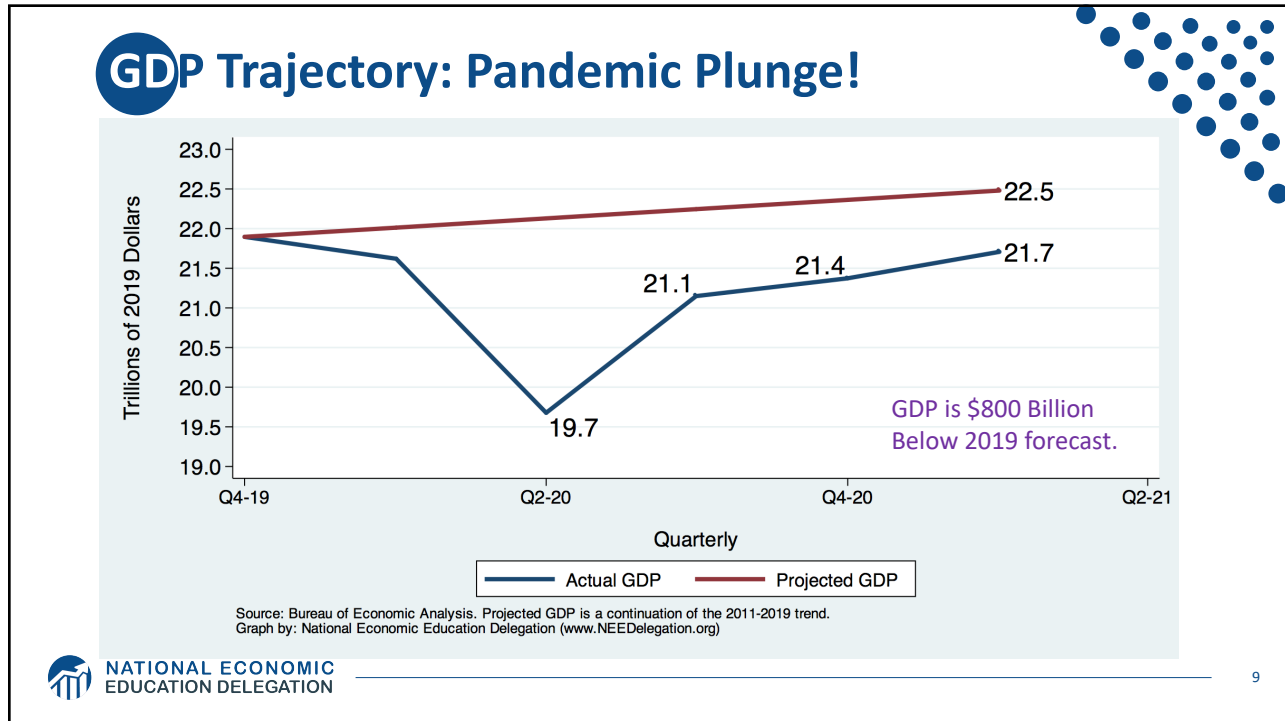




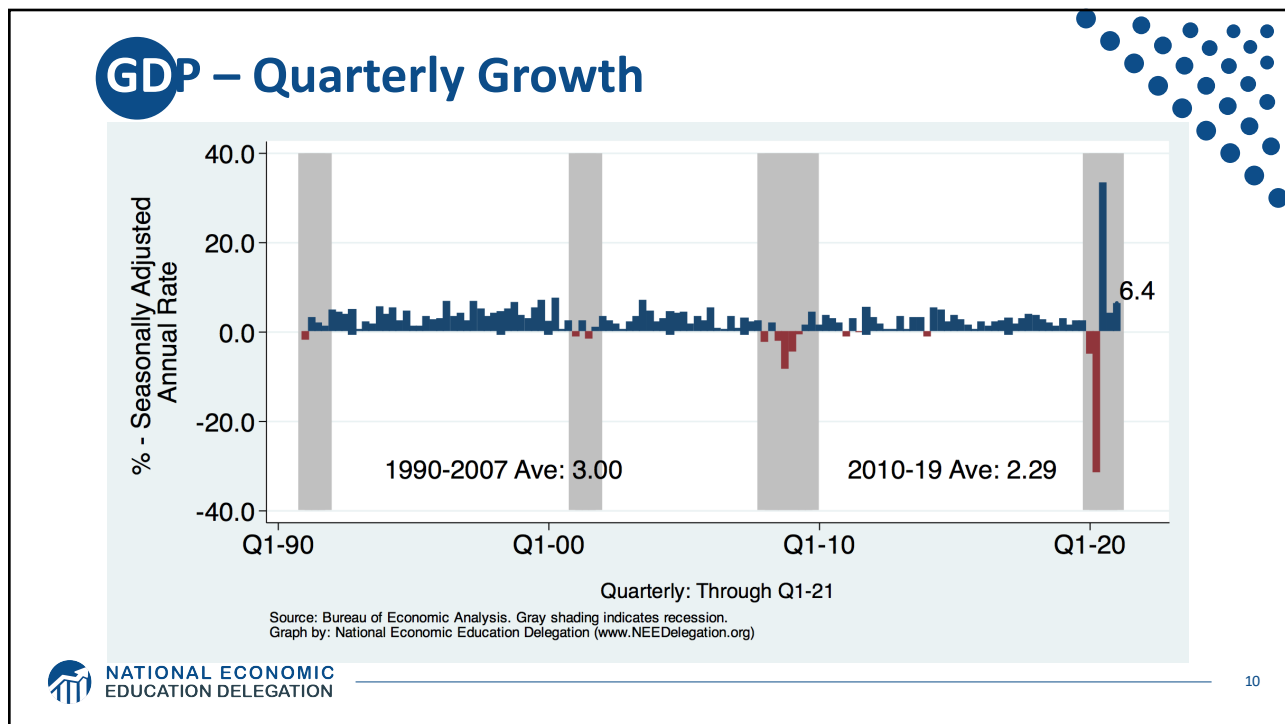
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## Philadelphia Federal Reserve

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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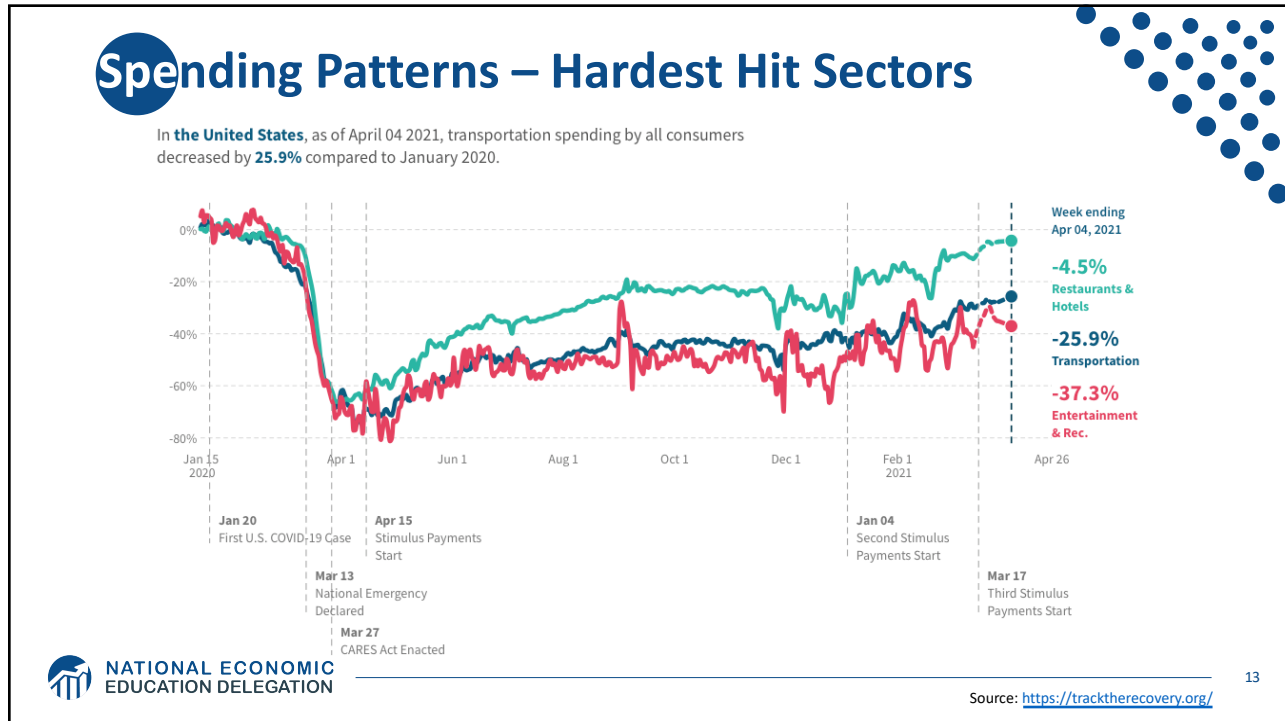
## Spending Patterns Since First US Case

In the United States, as of April 04 2021, total spending by all consumers increased by **10%** compared to January 2020.

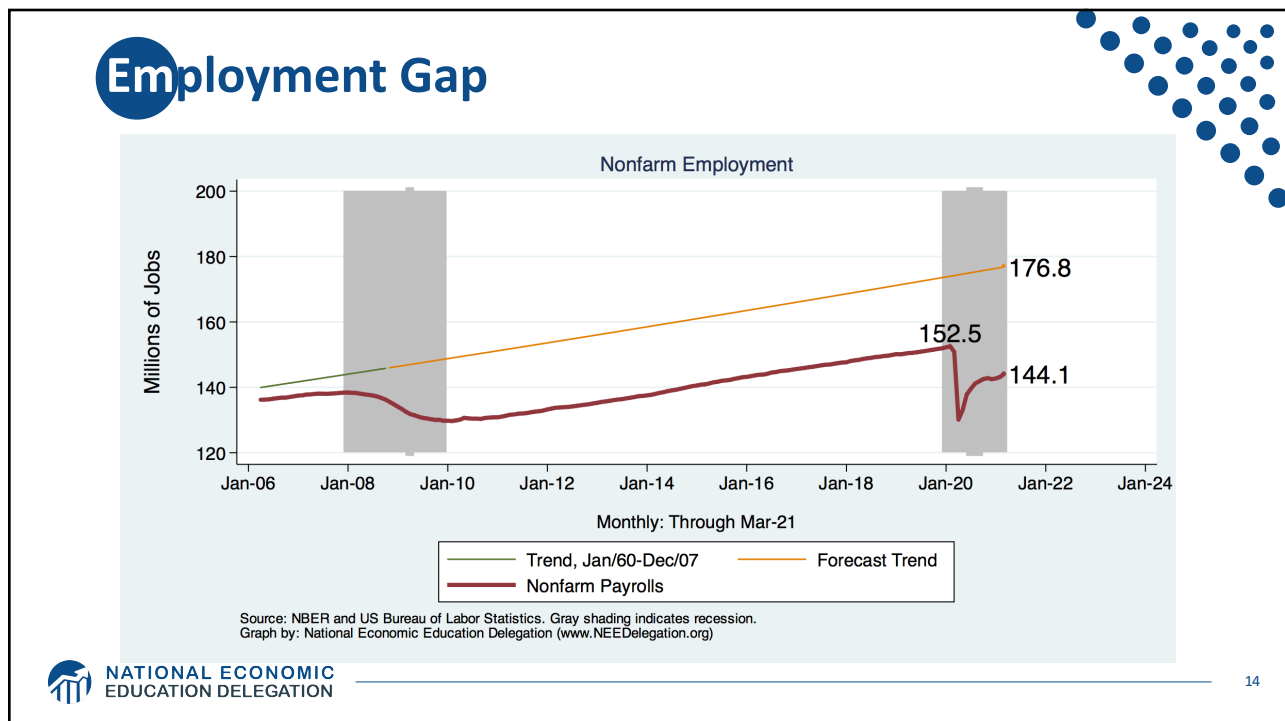
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Source: <https://tracktherecovery.org/>

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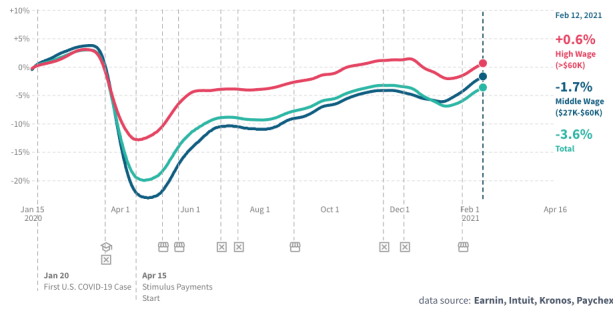


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# Conditions Closer to Home

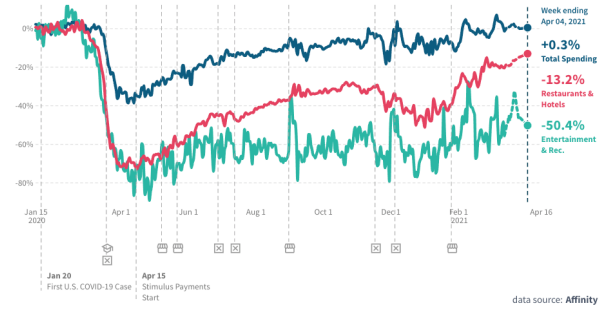
## Employment in California

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).



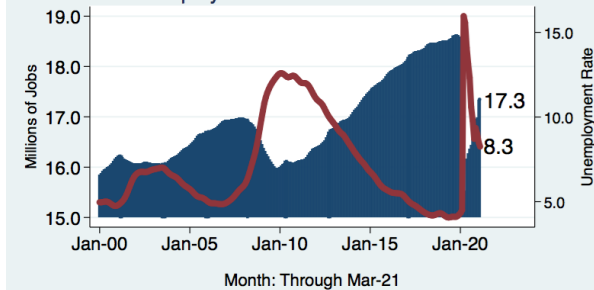
## Consumer Spending in California

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



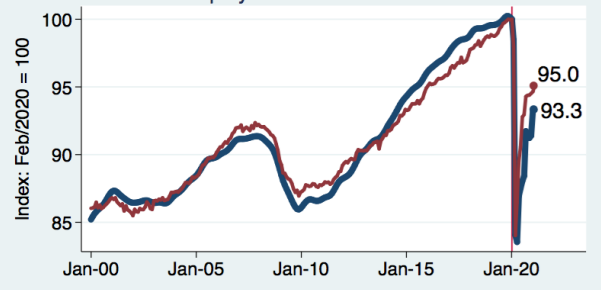
# Employment Situation: California

## 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)



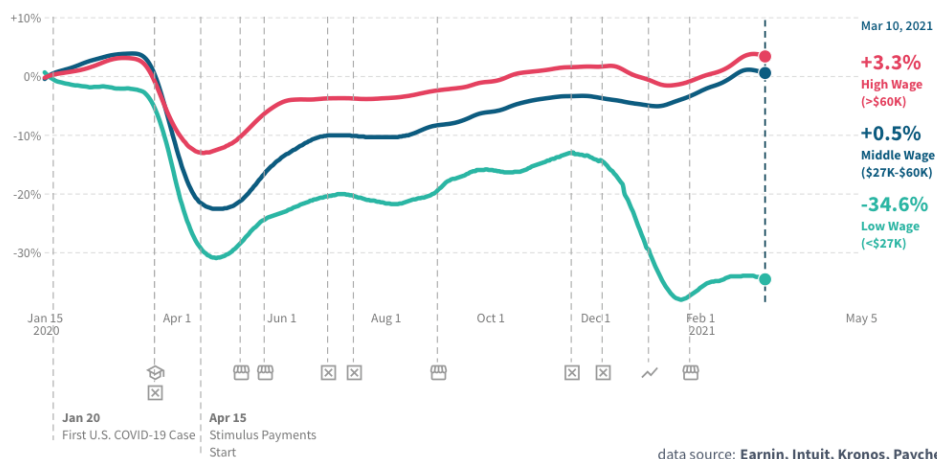
## What Have Been Policy Effects

- **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?**

## K-Shaped Recovery

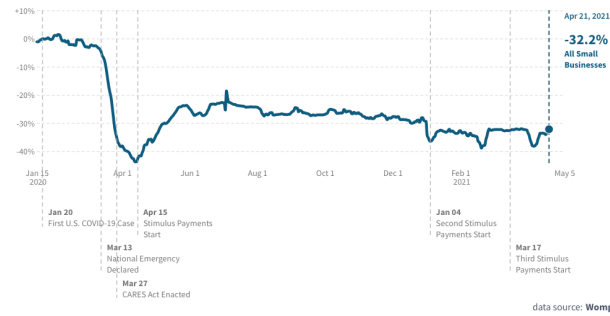
In **California**, as of March 10 2021, employment rates among workers in the middle wage quartiles increased by **0.5%** compared to January 2020 (not seasonally adjusted).



# Another Hard-Hit Sector: Small Business

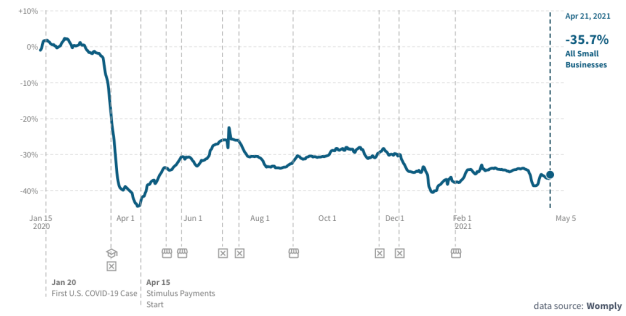
Small Biz Closures in the United States

In the United States, as of April 21, 2021, the number of small businesses open decreased by 32.2% compared to January 2020.

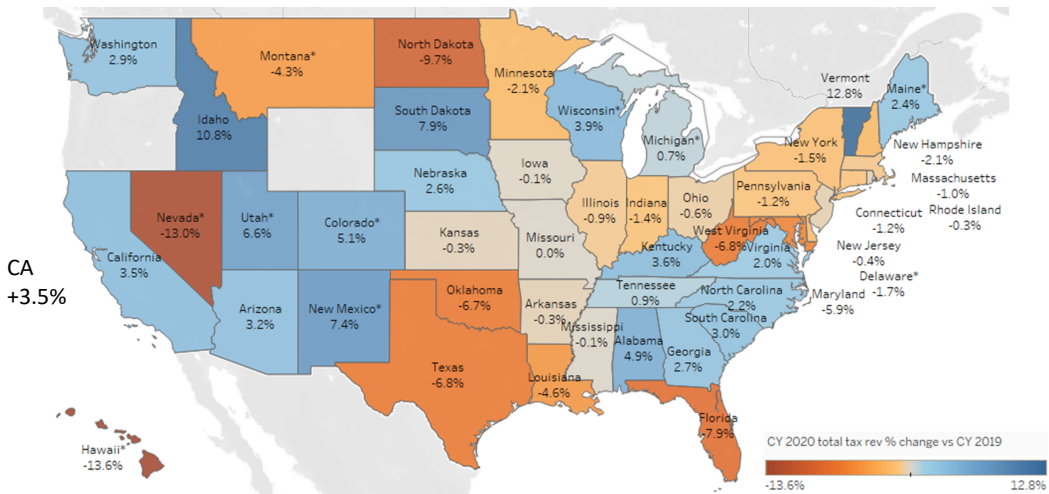


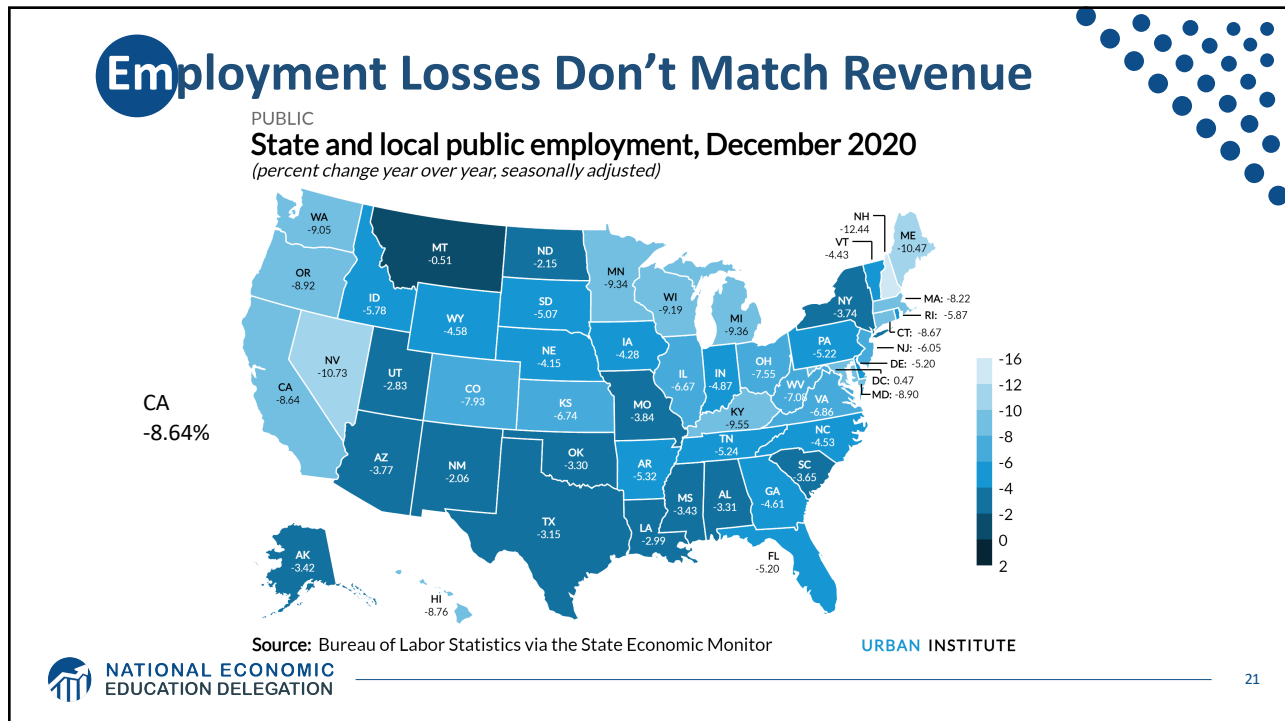
Small Biz Closures in California

In California, as of April 21, 2021, the number of small businesses open decreased by 35.7% compared to January 2020.

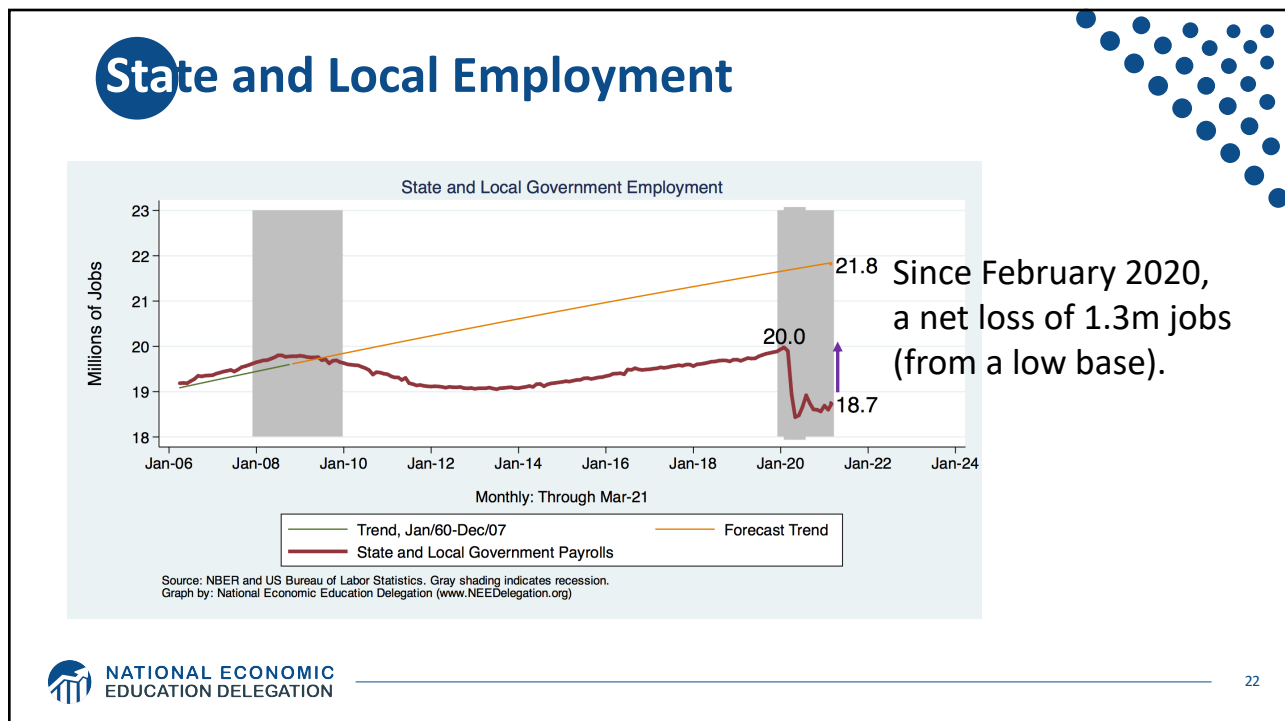


# 2020 State Tax Receipts Relative to 2019

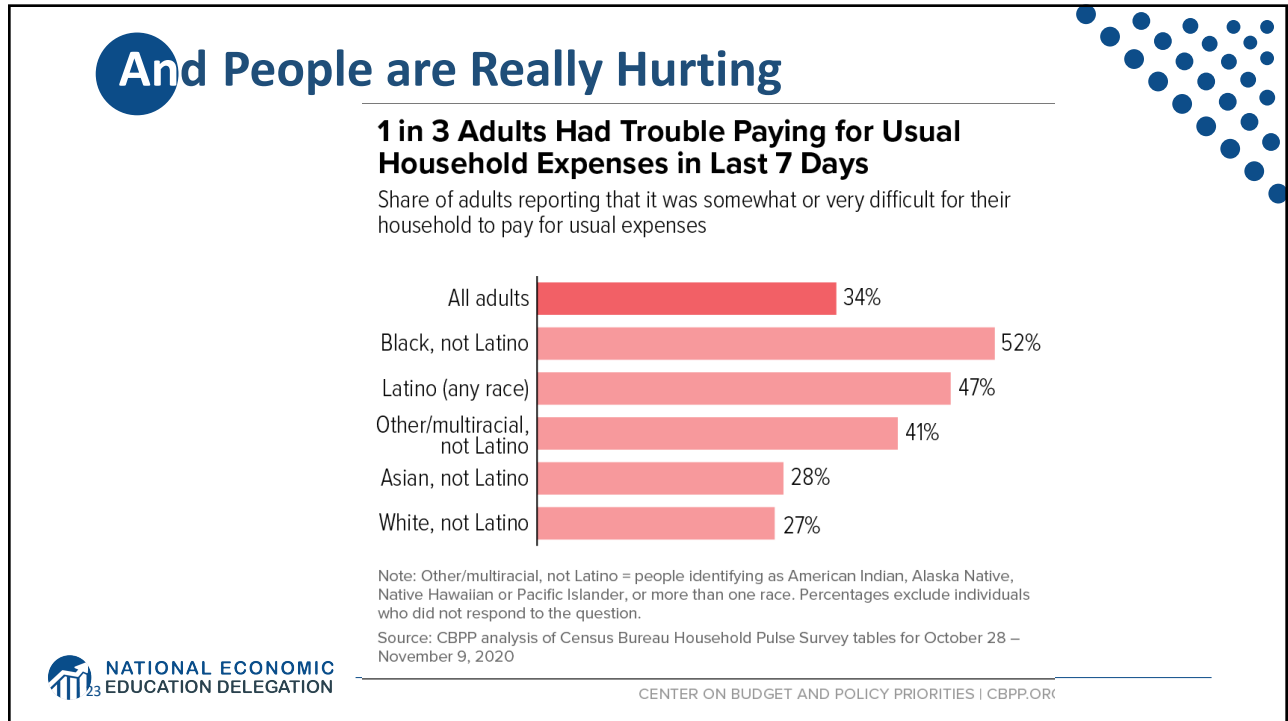




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## So, The President Went Big!

	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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## Balancing Act

### • Too Big (Larry Summers)

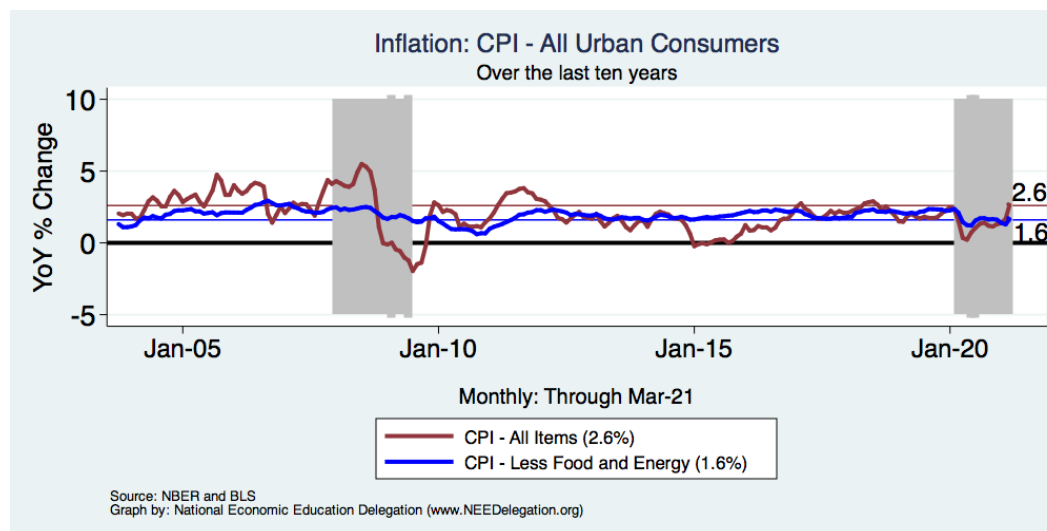
1. There already is about \$1.5 trillion in personal saving waiting to be spent.
2. Needlessly adding to our debt and deficit problems.
3. Reignite **inflation**.
4. Because of 1 & 2 less room for needed public infrastructure investment.

### • 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.



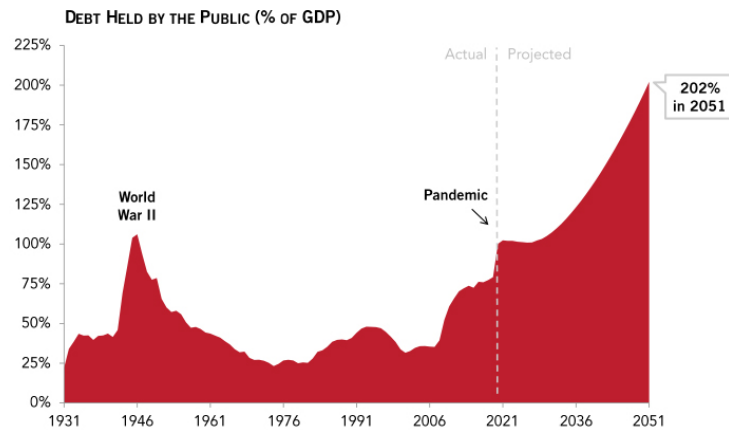
## Inflation – Recent Stability



## 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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## 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**



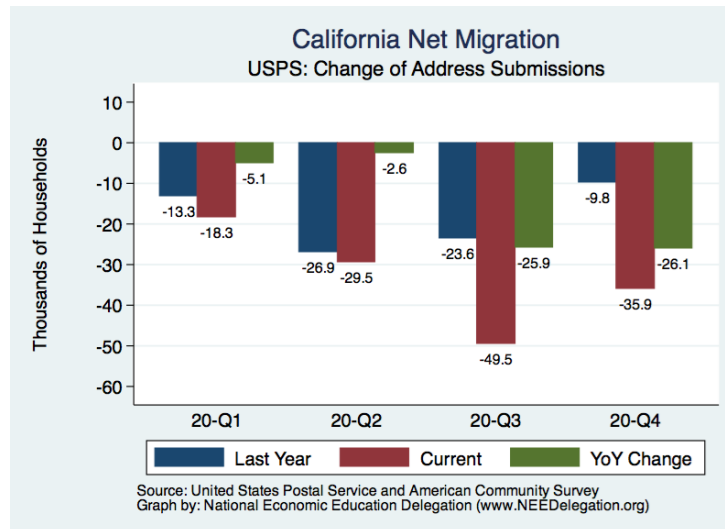
## My Advice for Joe, Had He Asked

- **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.**



# California & Marin

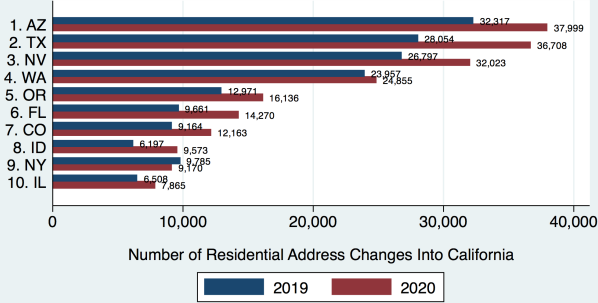
## Population Change: California





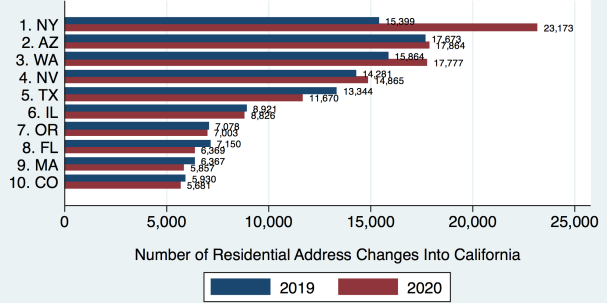
# Which Way Did They Go?

Top 10 Migration DESTINATION States  
California  
Rank in 2020



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)

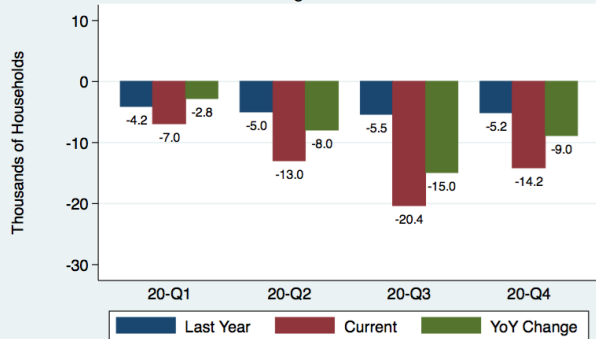
Top 10 Migration SOURCE States  
California  
Rank in 2020



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)

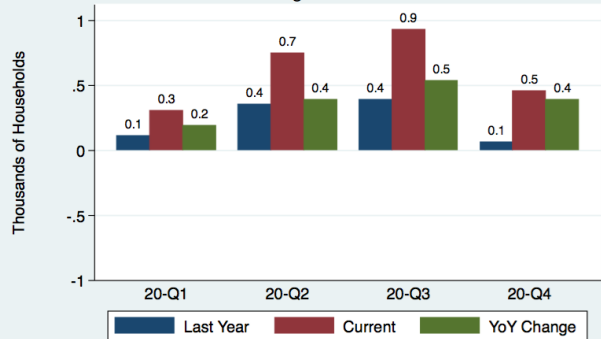
# Population Change: San Francisco & Marin

San Francisco County, CA Net Migration  
USPS: Change of Address Submissions



Source: United States Postal Service and American Community Survey  
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

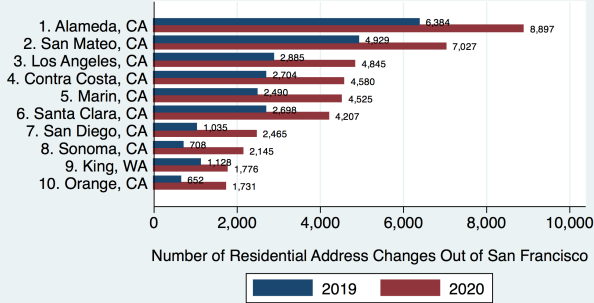
Marin County, CA Net Migration  
USPS: Change of Address Submissions



Source: United States Postal Service and American Community Survey  
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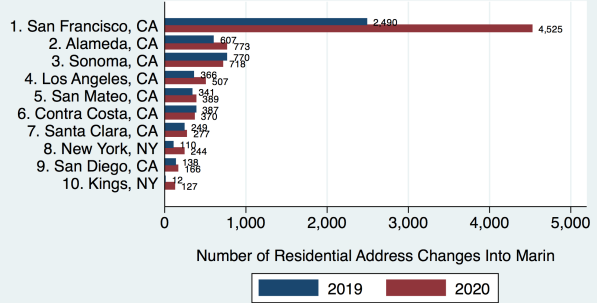
# Which Way Did They Go? SF & Marin

Top 10 Migration DESTINATION Counties  
San Francisco County, CA  
Rank in 2020



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)

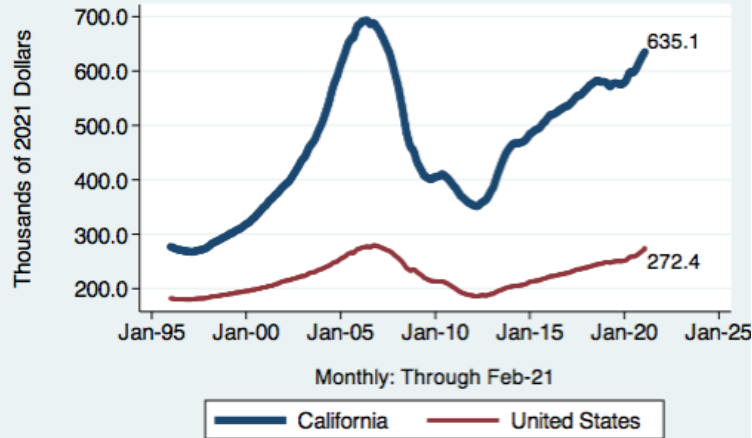
Top 10 Migration SOURCE Counties  
Marin County, CA  
Rank in 2020



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)

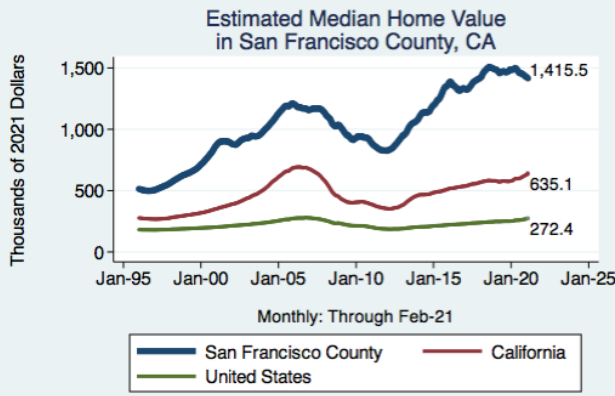
# Real Estate Prices

Estimated Median Home Value in California

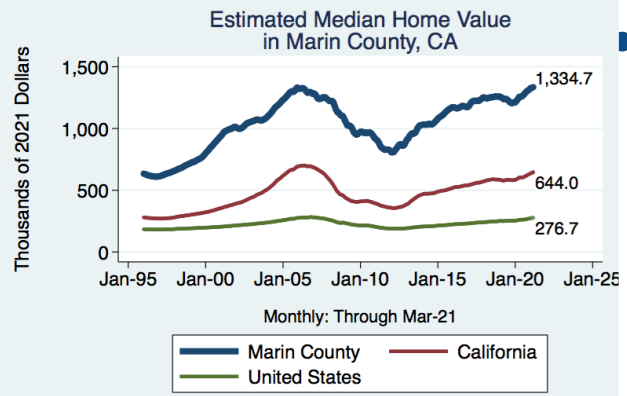


Source: Zillow Housing Data, <https://www.zillow.com/research/data/>  
Produced by: National Economic Education Delegation (www.NEEDelegation.org)

## RE Experiences Differ!

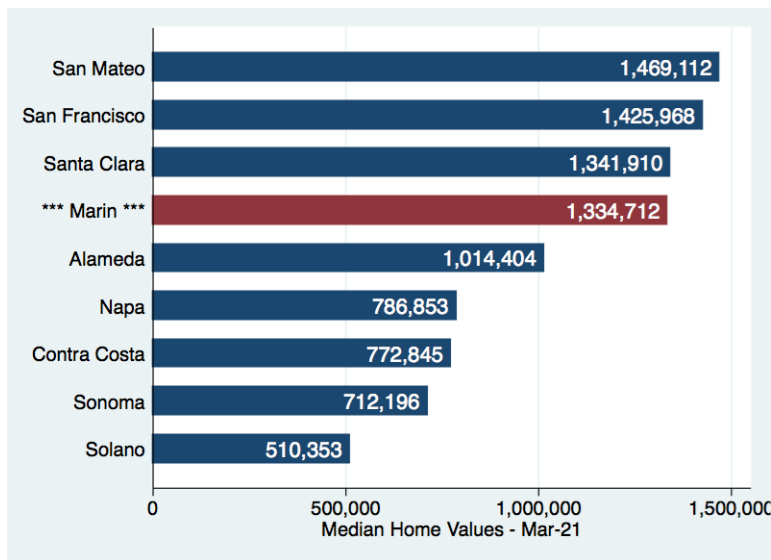


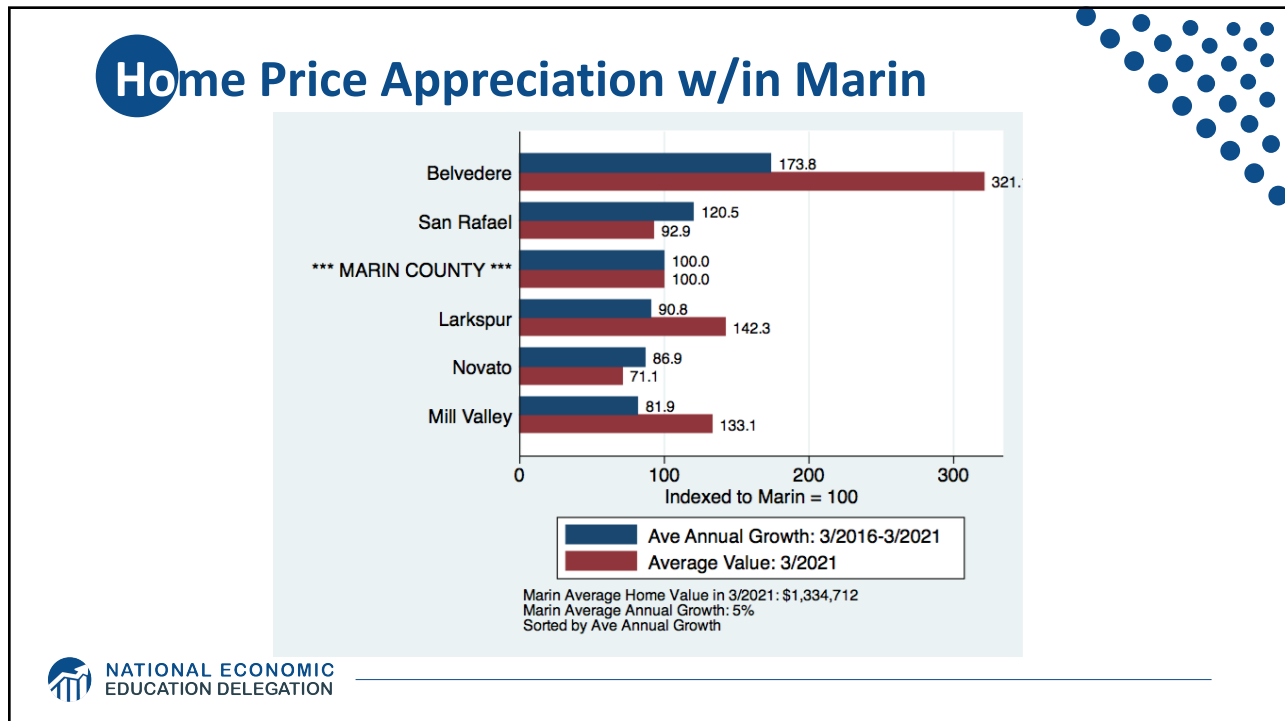
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 Produced by: National Economic Education Delegation ([www.NEEDelegation.org](http://www.NEEDelegation.org))



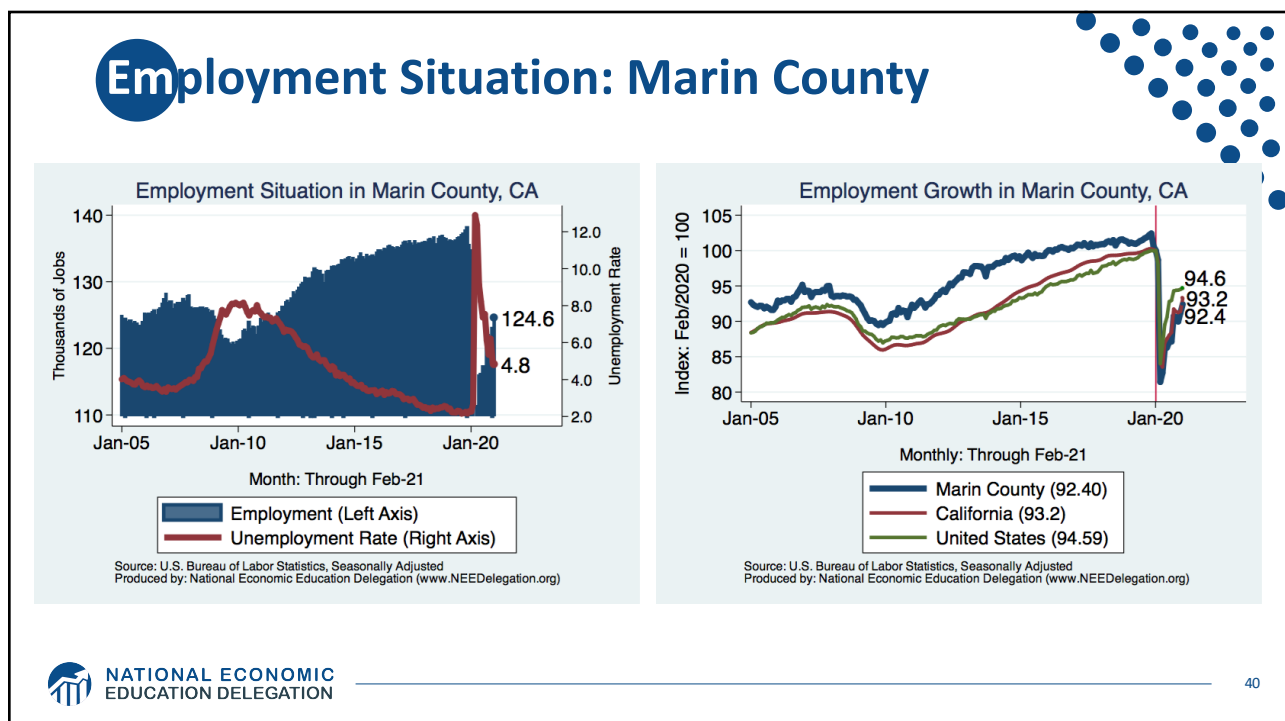
Source: Zillow Housing Data, <https://www.zillow.com/research/data/>  
 Produced by: National Economic Education Delegation ([www.NEEDelegation.org](http://www.NEEDelegation.org))

## Marin's Home Price Position



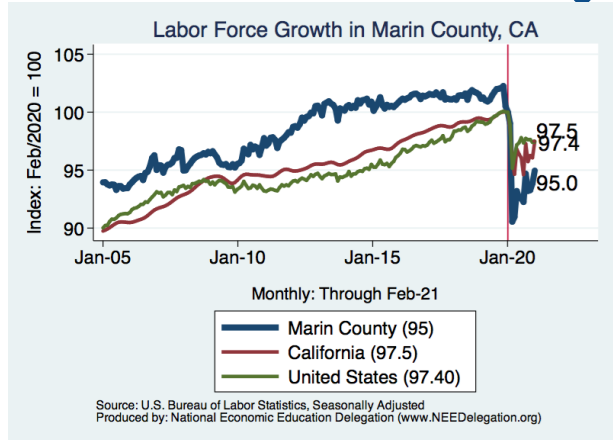
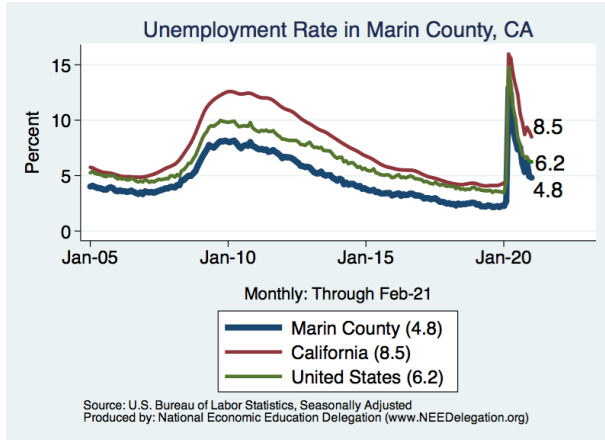


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# Employment Situation: Marin County



# For More Graphs on Marin's Economy

• <https://needelegation.org/LocalGraphs/>

## 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!
- **Marin workers are doing well, but employment is not.**
  - Small business services sector drives employment in Marin.
- **Home prices locally are doing well.**
  - Marin is benefitting from the San Francisco exodus.



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## Thank you!

# Any Questions?

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

Jon Haveman

[Jon@NEEDelegation.org](mailto:Jon@NEEDelegation.org)

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