



# COVID-19: Economic Implications and Policy Response

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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: 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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## 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**



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

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- **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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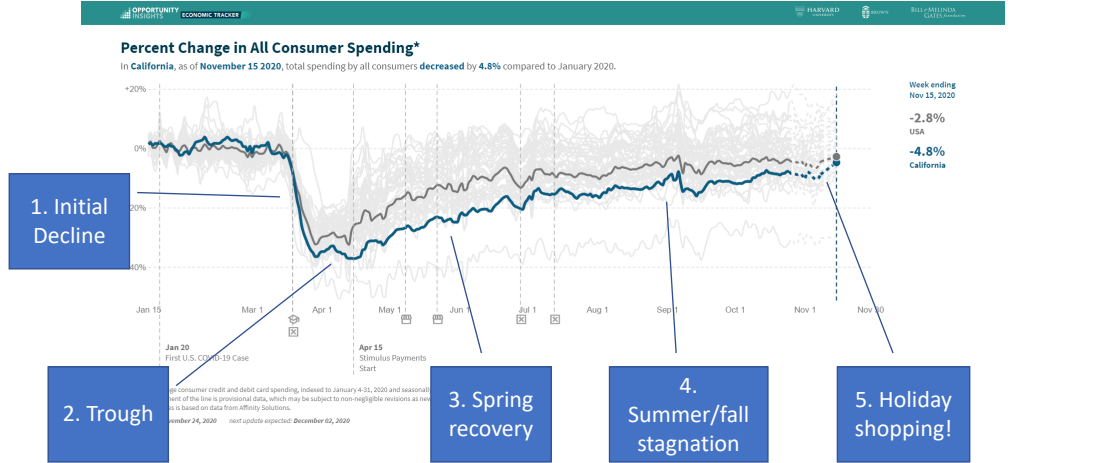
## Outline

- **Evidence of Impact**
- **Government Policy**
- **Nature of the Recovery**

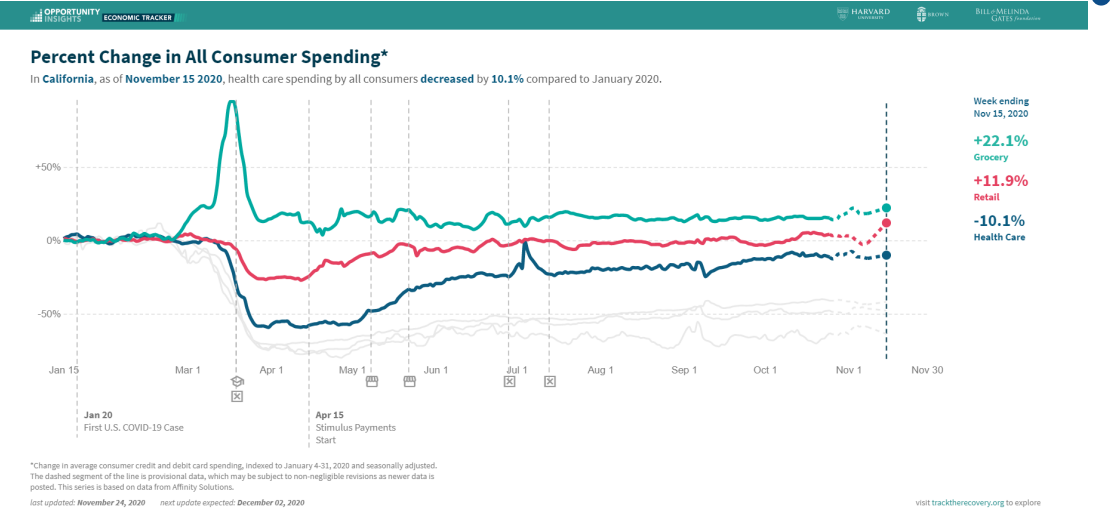


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# Spending Patterns Since First US Case



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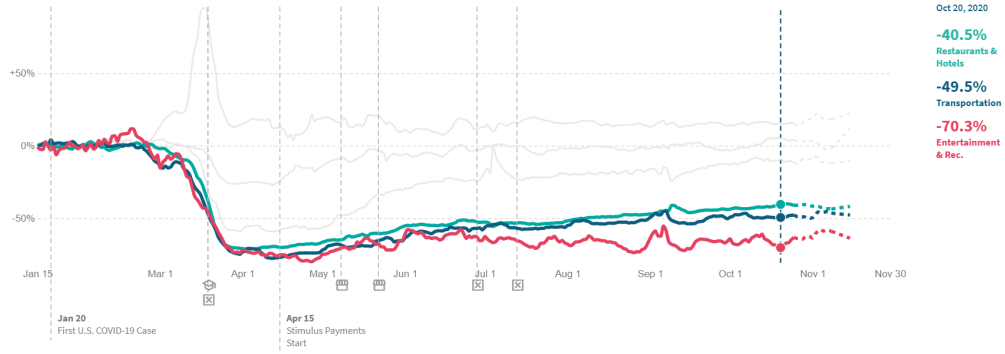


# Spending Patterns Since First US Case

OPPORTUNITY ECONOMICS TRACKER HARVARD BROWN BILL & MELINDA GATES FOUNDATION

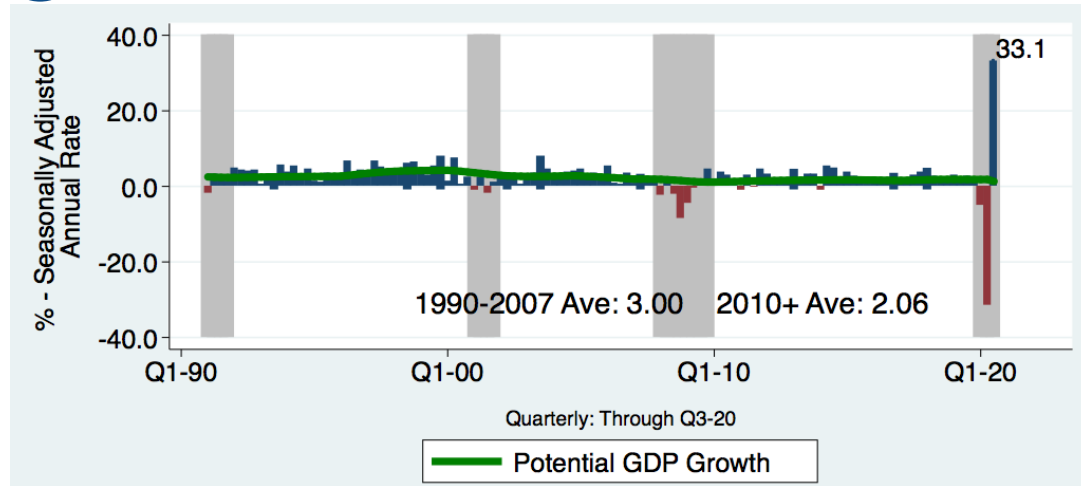
## Percent Change in All Consumer Spending\*

In California, as of October 20 2020, transportation spending by all consumers decreased by 49.5% compared to January 2020.



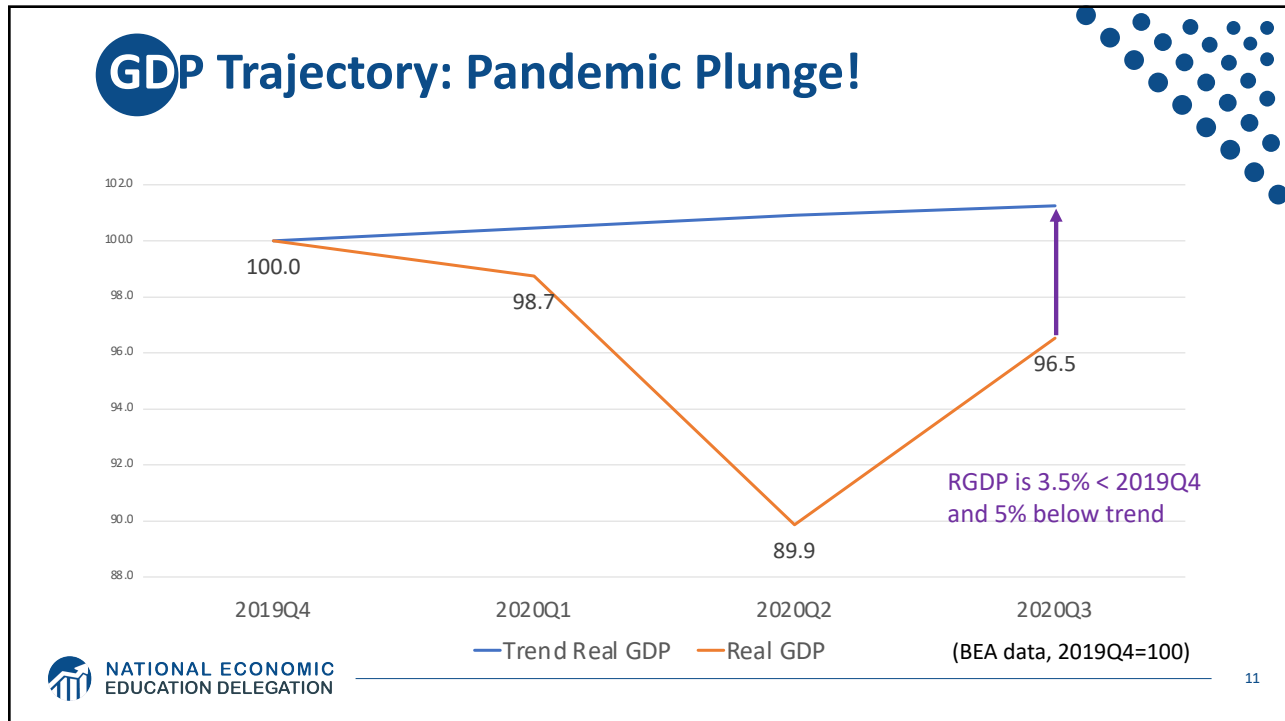
Source: <https://tracktherecovery.org/>

# GDP – Quarterly Growth

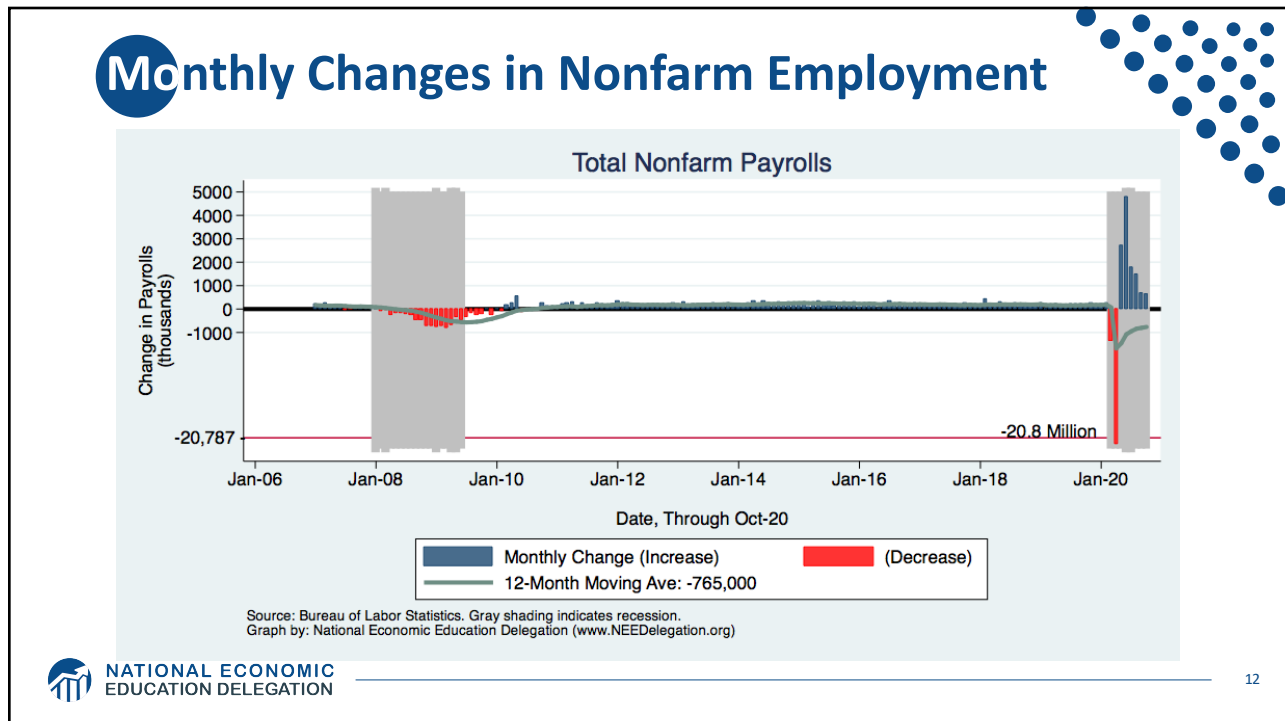


Source: Bureau of Economic Analysis. Gray shading indicates recession. Graph by: National Economic Education Delegation (www.NEEDelegation.org)

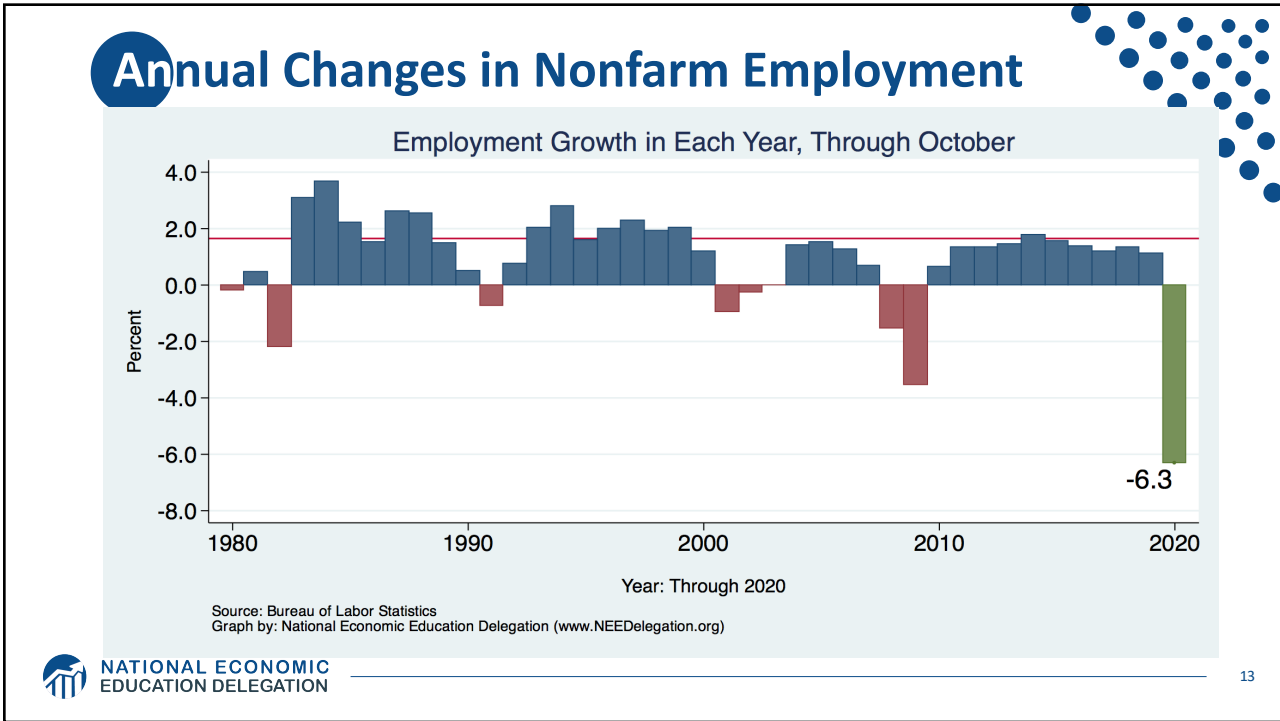




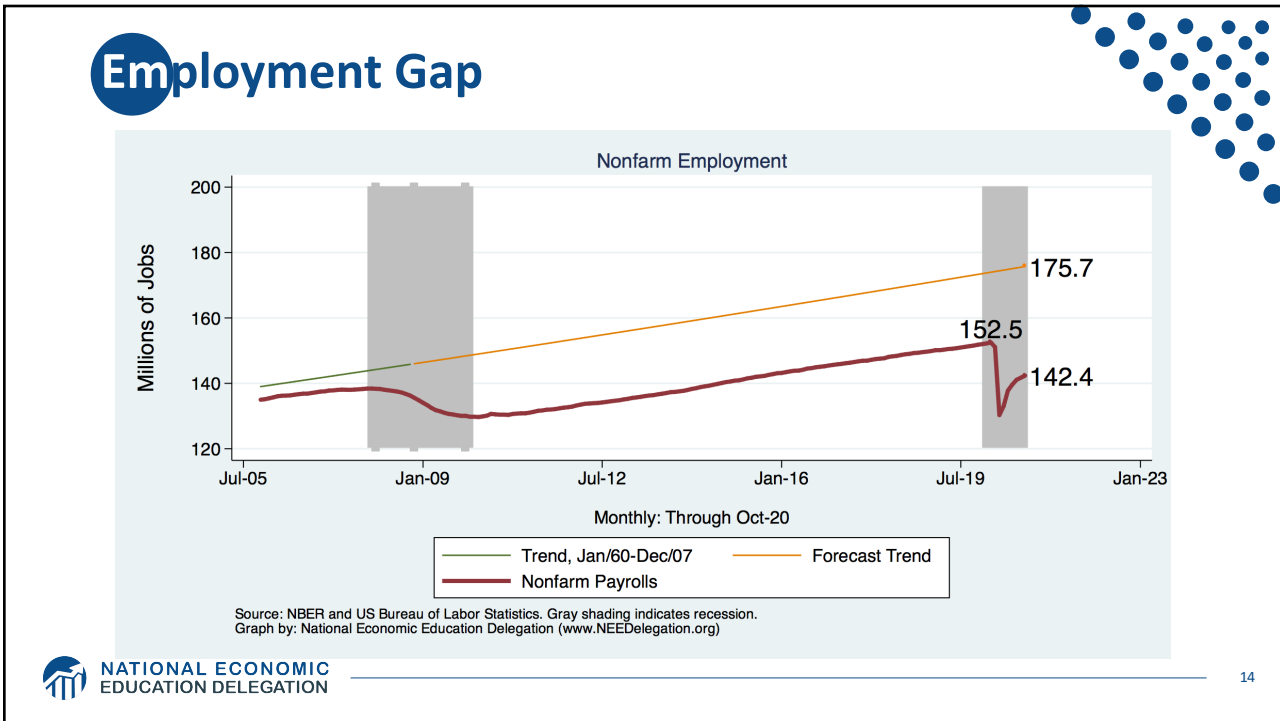
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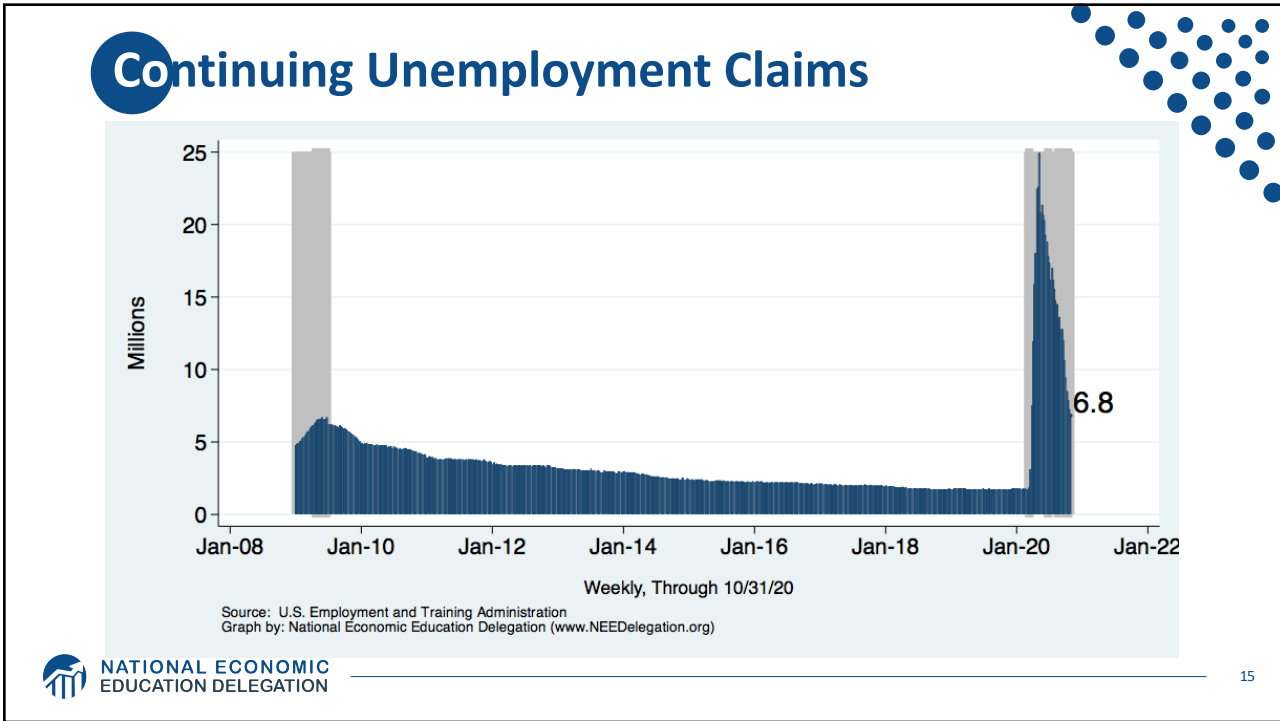
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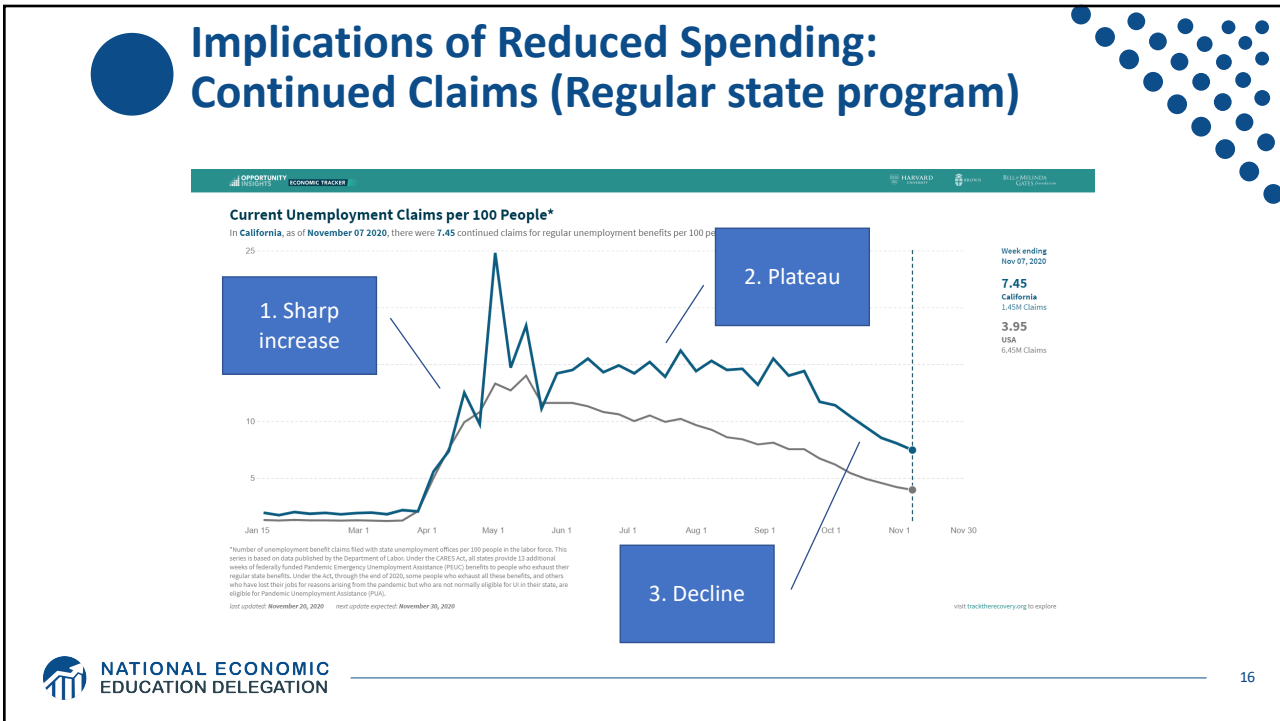
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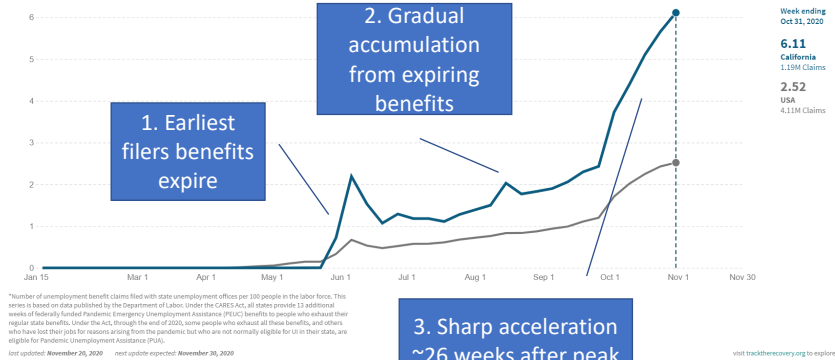
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# Implications of Reduced Spending: Continued Claims (Federal PEUC)

## Current Unemployment Claims per 100 People\*

In California, as of October 31 2020, there were 6.11 continued claims for Pandemic Emergency Unemployment Compensation (PEUC) benefits per 100 people in the labor force.

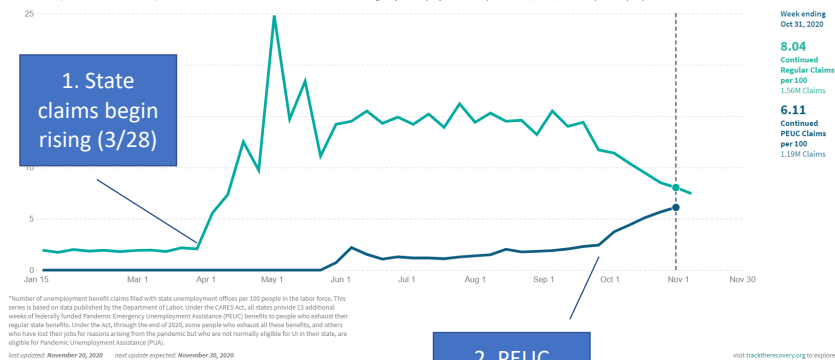


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# Implications of Reduced Spending: Regular and PEUC claims

## Current Unemployment Claims per 100 People\*

In California, as of October 31 2020, there were 6.11 continued claims for Pandemic Emergency Unemployment Compensation (PEUC) benefits per 100 people in the labor force.



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## A Tale of Three Policies Efforts

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

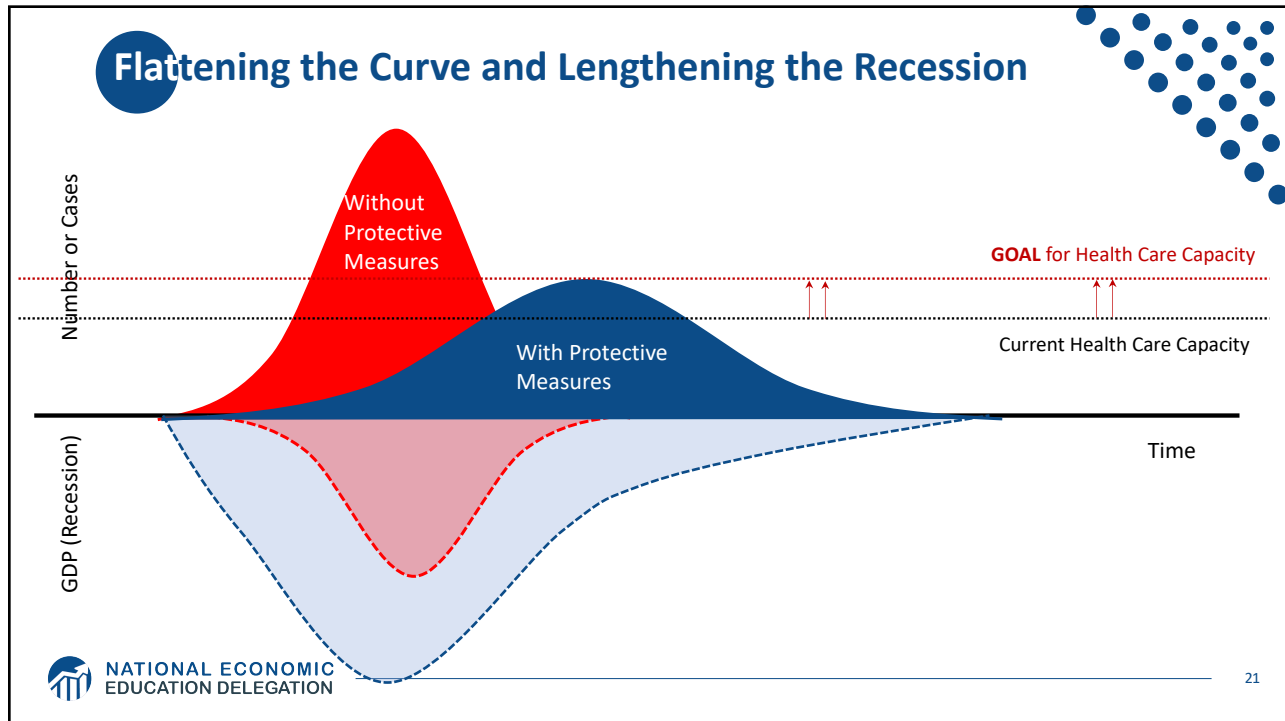
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## Concern: Opening Too Soon

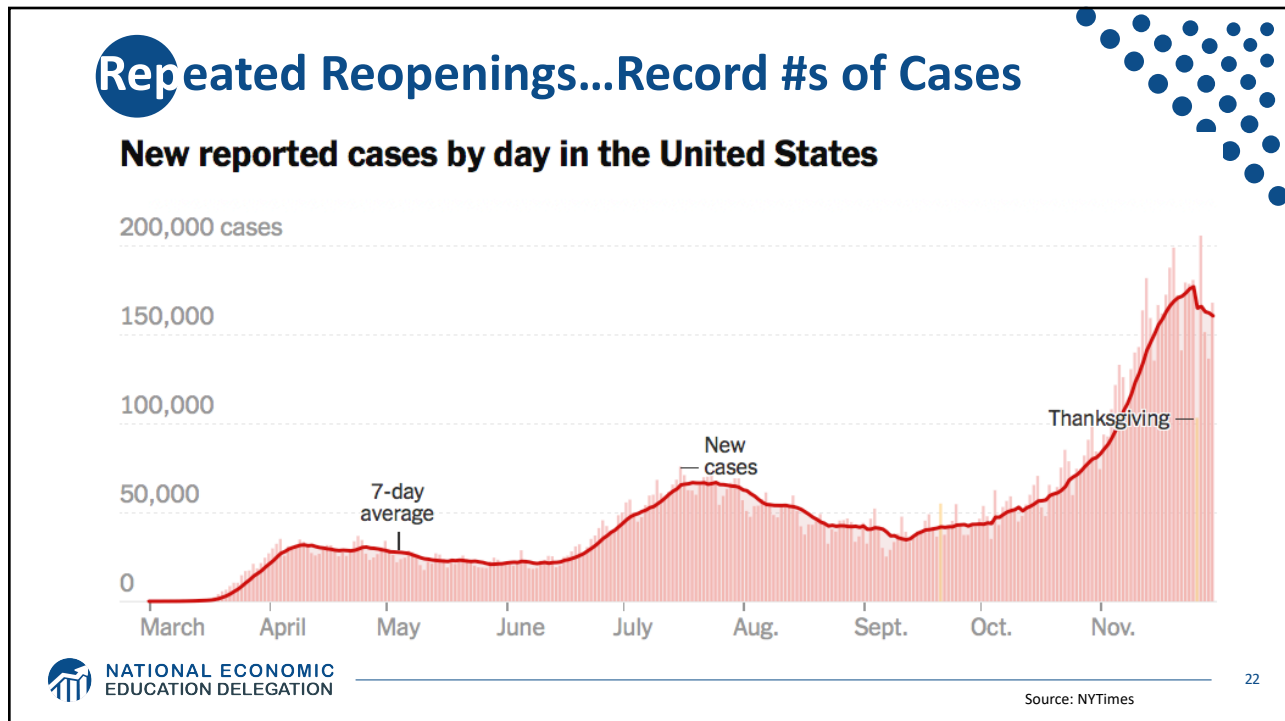
### New reported cases by day in the United States



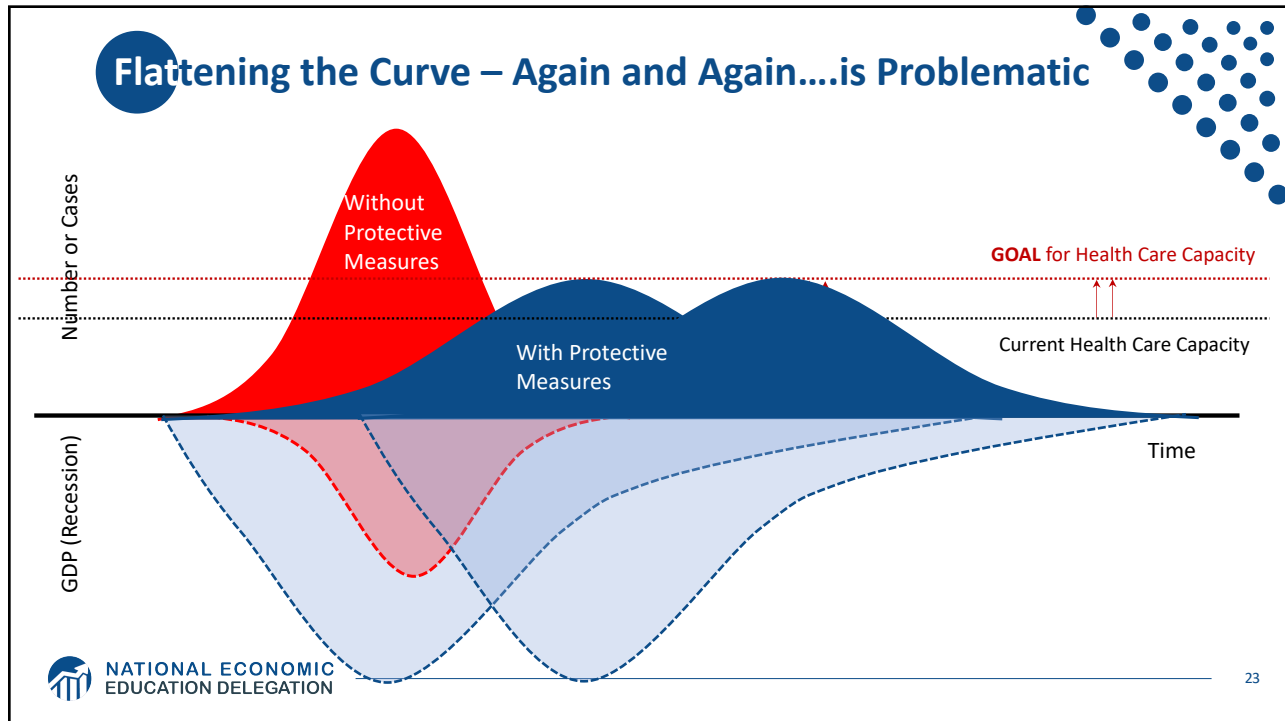
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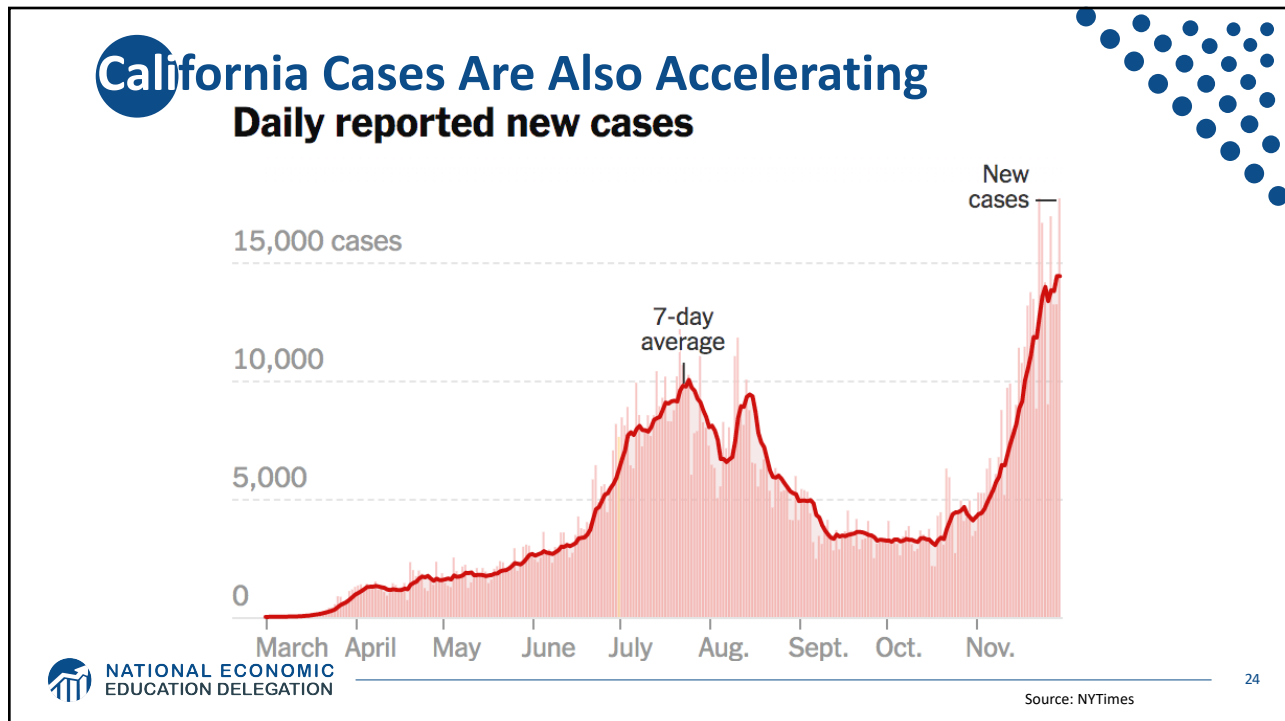
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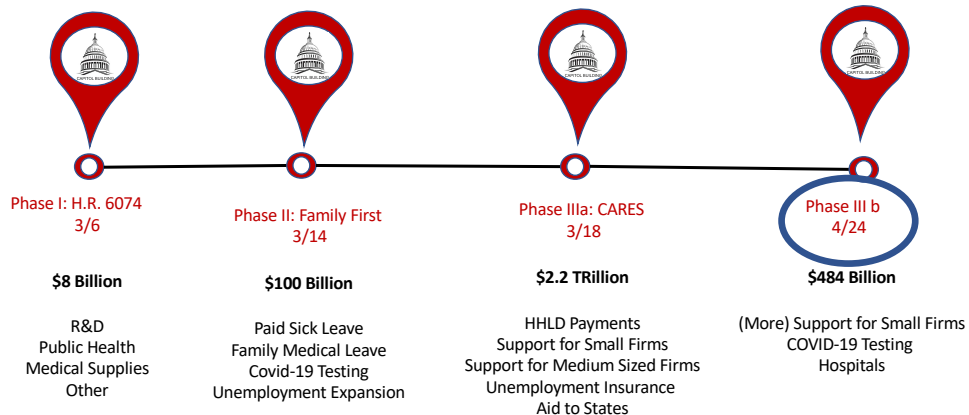
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# What's been done? Did it work?

## Executive Summary:

- The Federal Reserve made credit cheap and provided liquidity to ensure credit markets continued functioning.
- Congress/White House sent checks to households, expanded unemployment benefits, and created paycheck protection program for businesses.
  - Checks and UB were massively effective in boosting both saving and spending.
  - Expanded UB did not have disincentive effect (on average).
  - PPP worked but had a very low ROI.
- **There has been *no action* since spring.**

# Fiscal Policy Timeline – Social Insurance

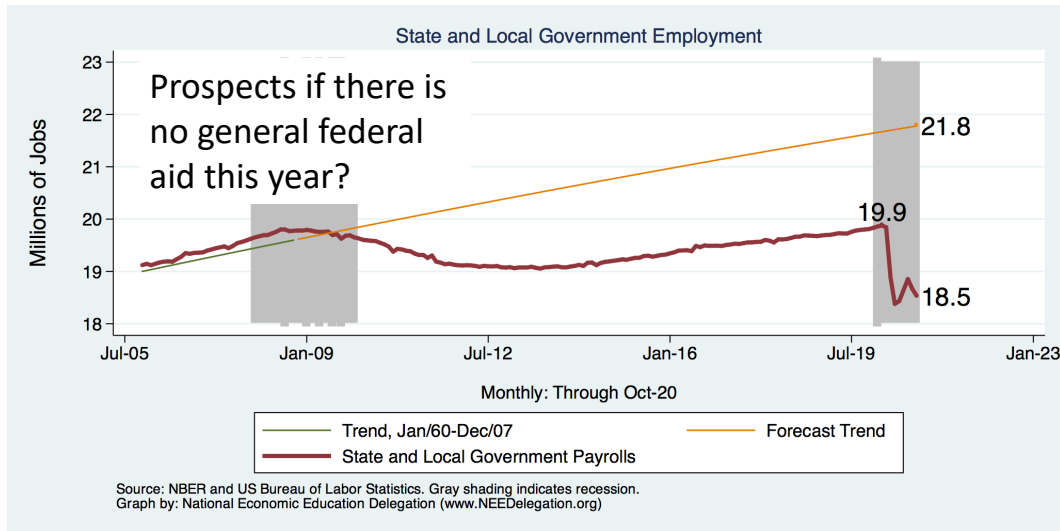


# There is an Enormous Fiscal Policy Gap

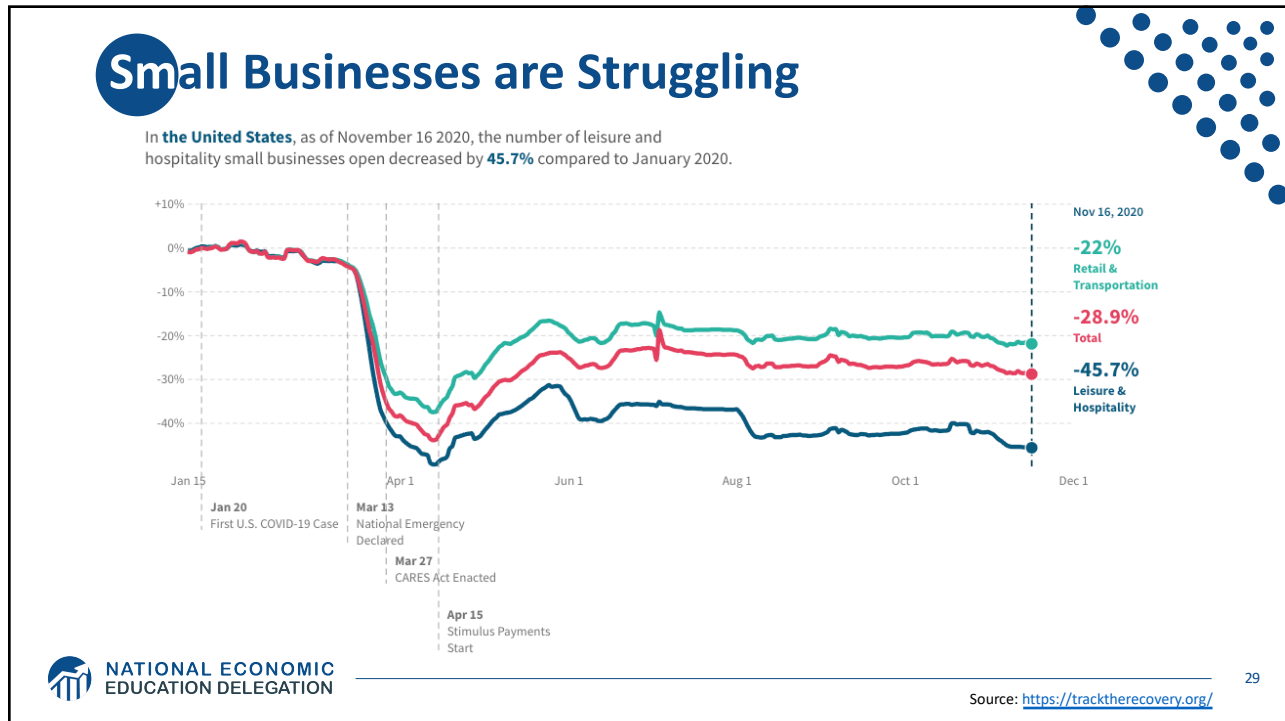
- The last time Congress acted was April 24.
- Unemployment payments are not sufficient.
- Low wage workers are in trouble.
- Small businesses are struggling.
- Renters can't pay rent.
- Lines at food banks are very long.
- States and local governments are slashing employment.

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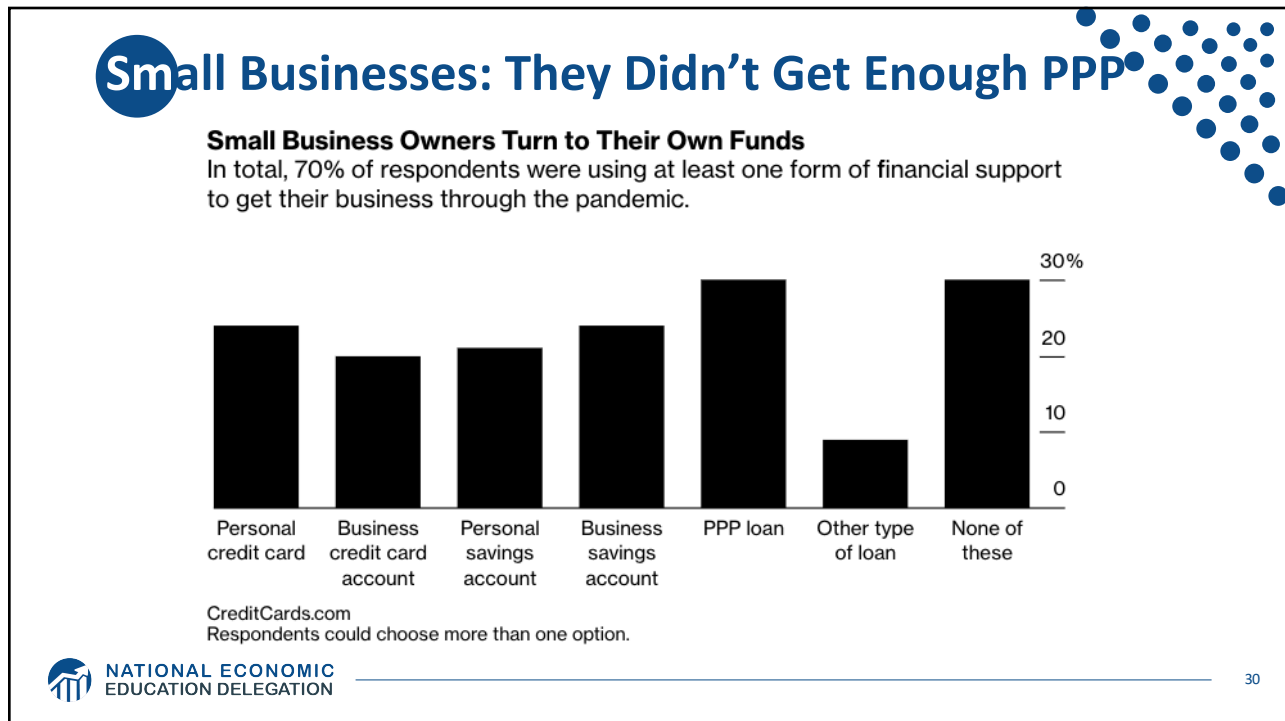
# State and Local Employment



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## Reopening, It's Not This Simple



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## 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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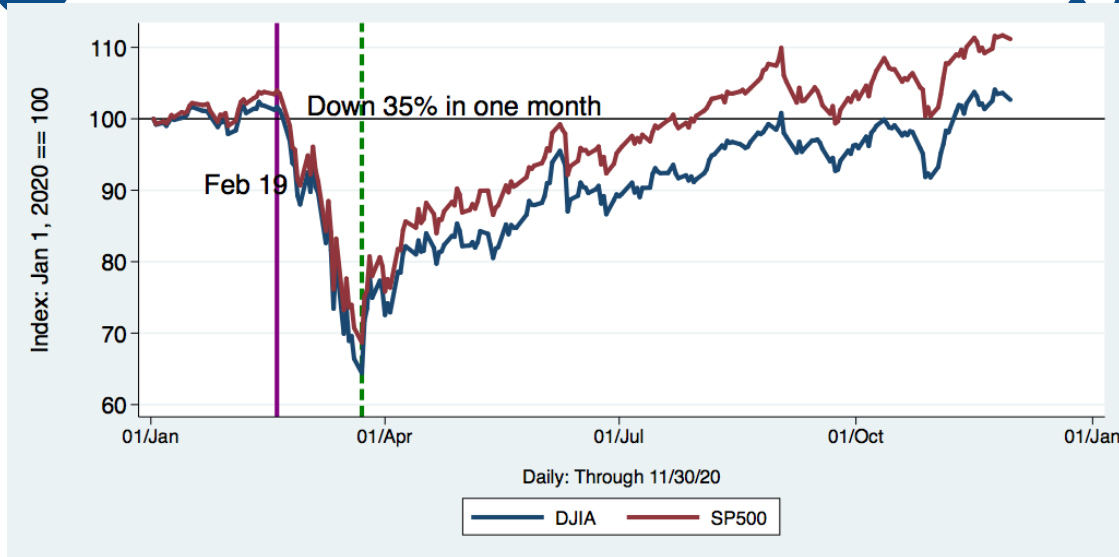


# A “K-shaped” recovery?

## 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.

# DJIA and S&P 500

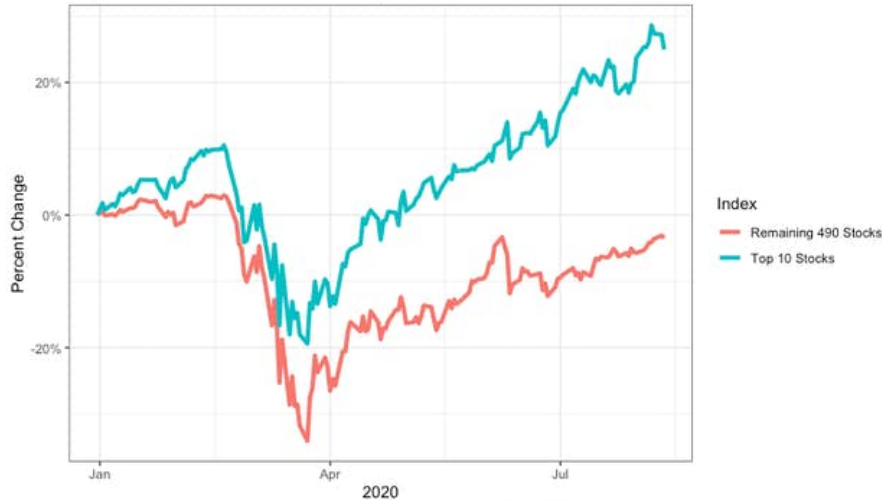


# Recovery/recession for whom?

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

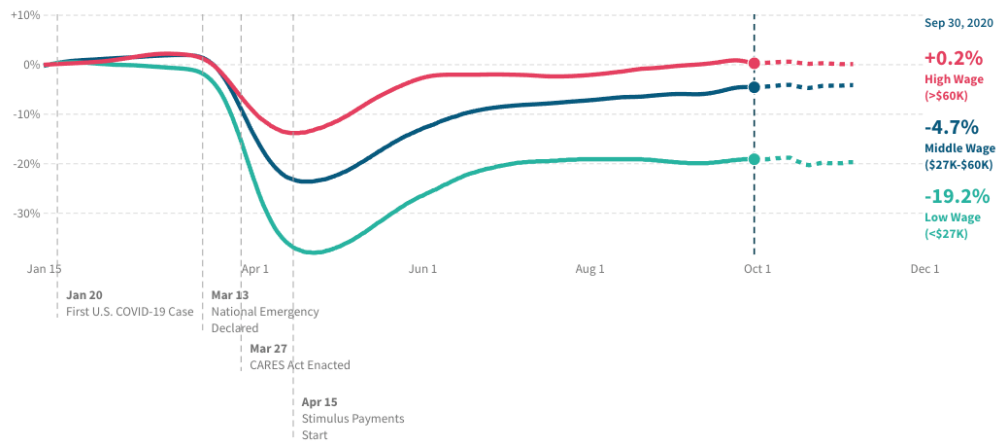


Source: TrendPlaybook.com, Bloomberg

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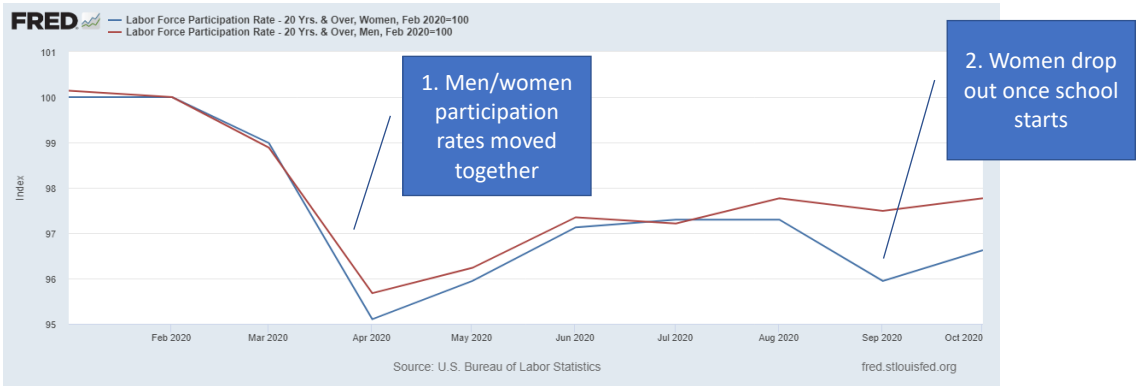
# Low Wage Employment is Lagging

In the United States, as of September 30 2020, employment rates among workers in the middle wage quartiles decreased by 4.7% compared to January 2020 (not seasonally adjusted).



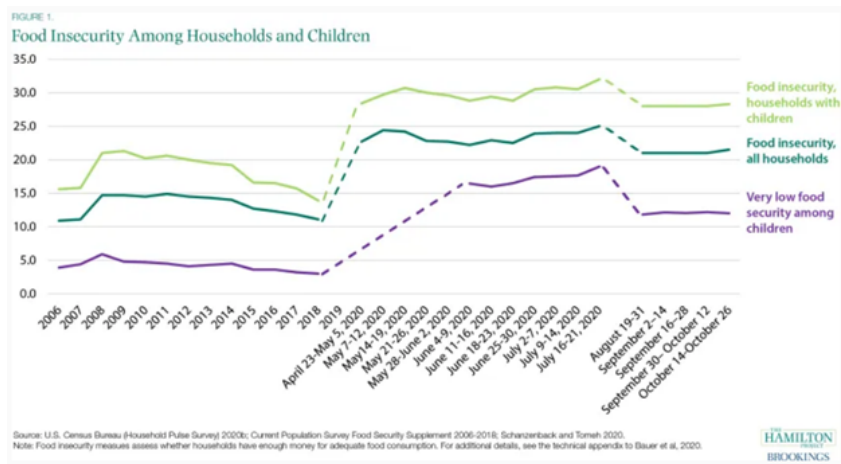
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# Labor Force Participation Rates by Sex



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# Food Insecurity is Elevated



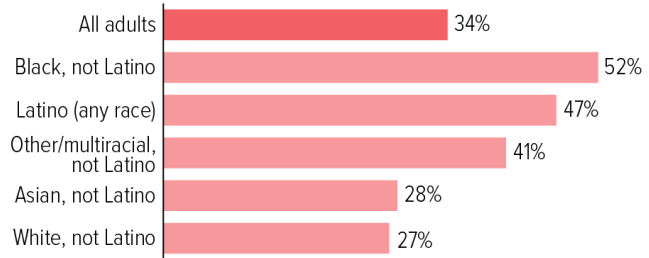
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## Low Income Troubles

**Resurgence of the Virus and no Stimulus in Sight (bipartisan Senate group?)**  
**And, people are hurting.**

### 1 in 3 Adults Had Trouble Paying for Usual Household Expenses in Last 7 Days

Share of adults reporting that it was somewhat or very difficult for their household to pay for usual expenses



Note: Other/multiracial, not Latino = people identifying as American Indian, Alaska Native, Native Hawaiian or Pacific Islander, or more than one race. Percentages exclude individuals who did not respond to the question.

Source: CBPP analysis of Census Bureau Household Pulse Survey tables for October 28 – November 9, 2020

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

## Stumbling Blocks to Stimulus Package

- **General Aid to State and Local Governments.**
  - D = yes R = no
- **Liability Protection for Firms against Covid law suits.**
  - D = no R = yes
- **Can a stimulus bill of more than \$1 trillion pass the Senate?**
  - D = yes R = no

## 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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## The Good News (Sort of)

- **There were no short-run macro problems at the start of the crisis**
  - The only obstacle to a quick recovery is damage that is being done while the pandemic continues (and the pandemic itself)
  - Main concern: temporary disruptions turning into permanent ones
- **Things are not as bad as they could be**
  - Federal Reserve prevented collapse in financial markets
  - Congress + White House prevented complete collapse in labor/productive markets
- **Other countries have shown economic recovery is possible**
  - But the virus has to be brought under control first



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## Conclusion

- **COVID-19 is health crisis that has macroeconomic implications.**
  - With enormous built-in inequities.
- **Significant structural changes.**
  - Telecommuting, telehealth, retail decline.
- **GDP will likely contract between 3.0 and 6.0 percent this year.**
  - Positive growth will likely return in 2021
- **Gov't spending induced growth in Q3**
  - Spending has stopped.
- **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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## Thank you!

## Any Questions?

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

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