



COVID-19: Economic Implications and Policy Response

Sons in Retirement, San Ramon, #128

November 18, 2020
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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: 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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Credits and Disclaimer

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

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- 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).



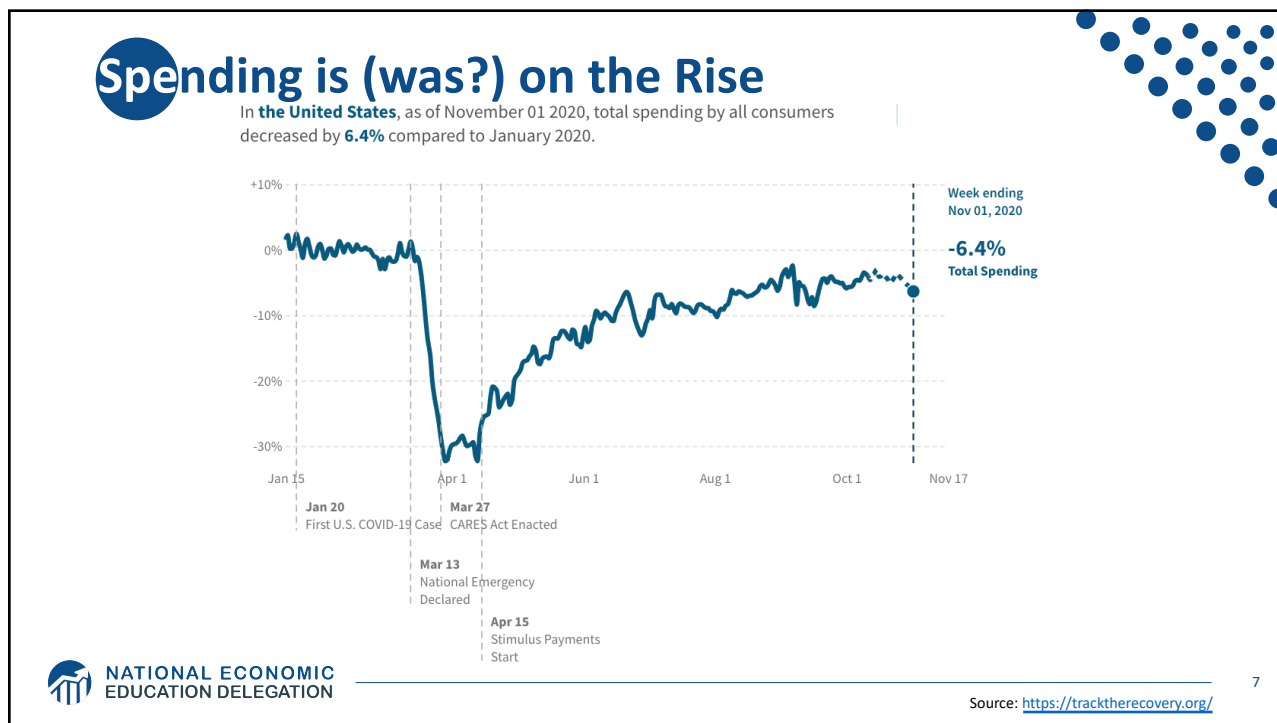
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Outline

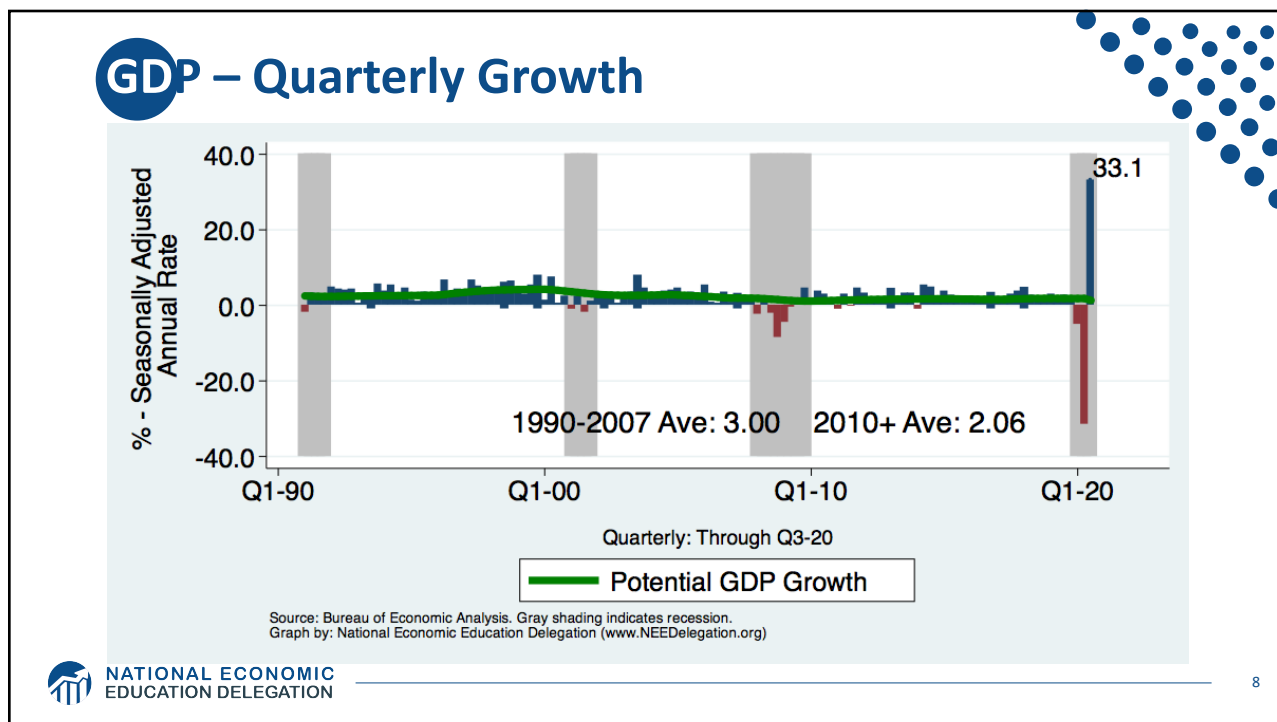
- **Evidence of Impact**
- **Government Policy**
- **Path Forward**



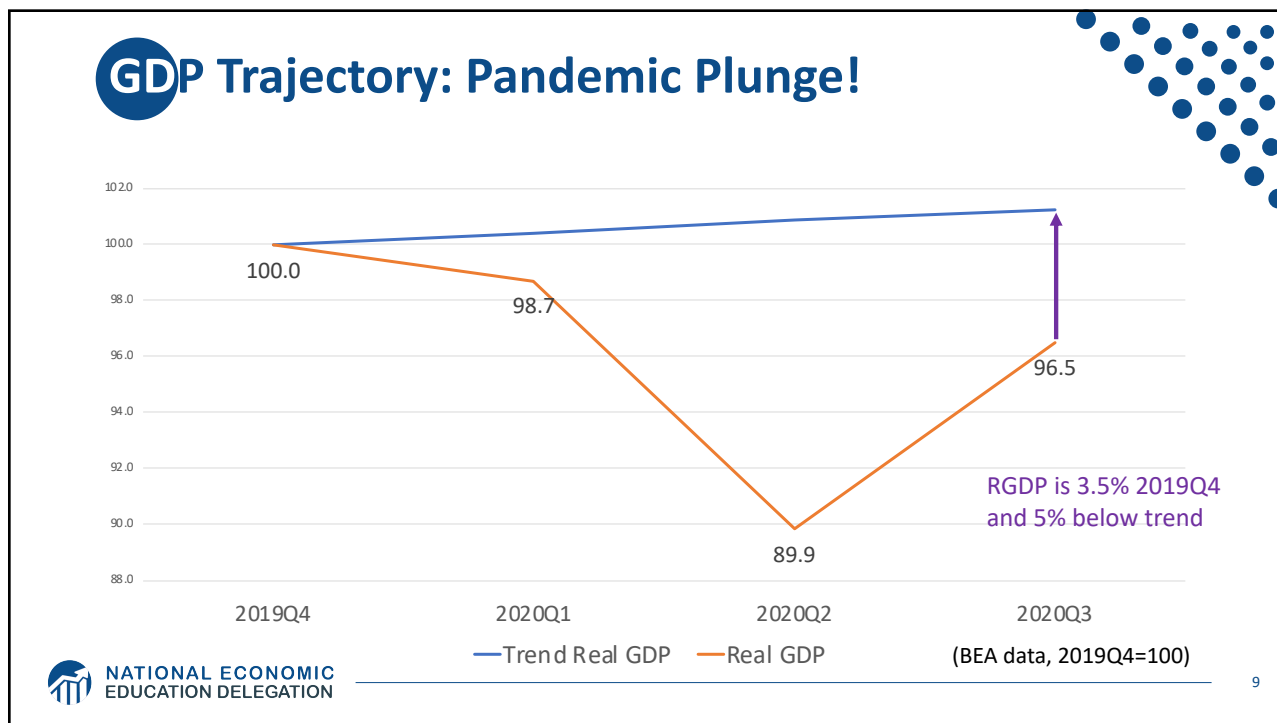
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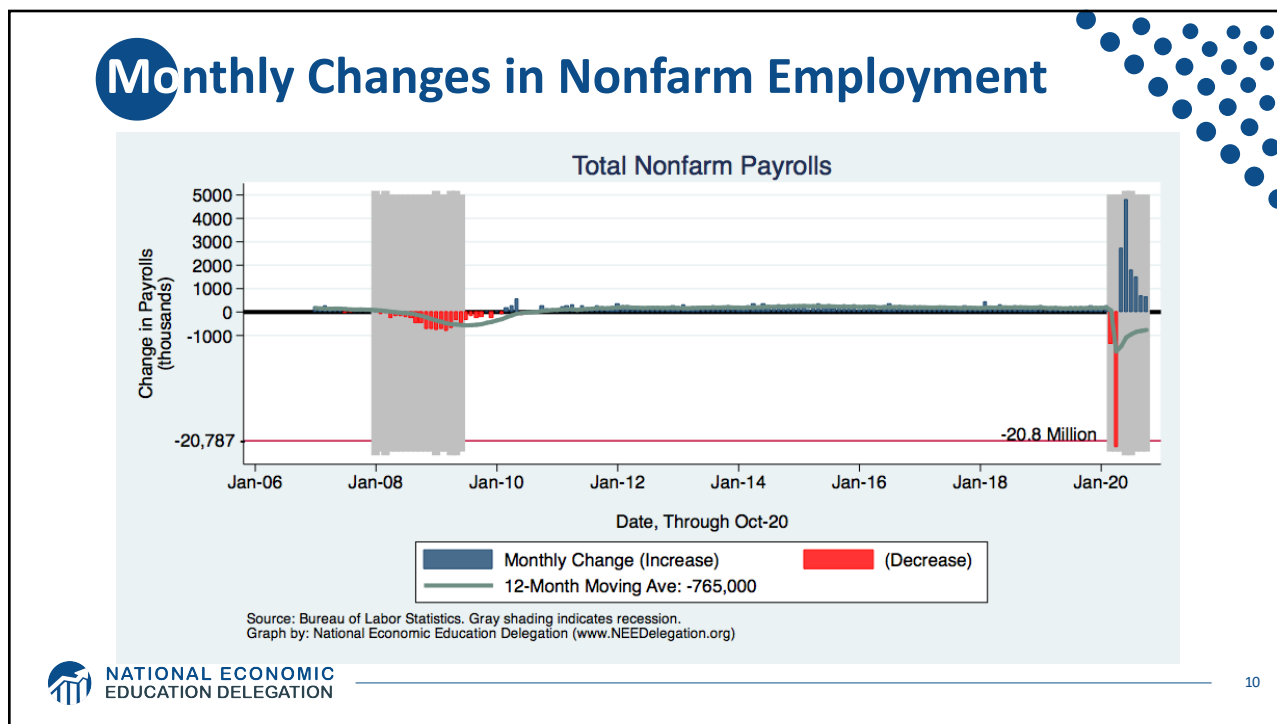
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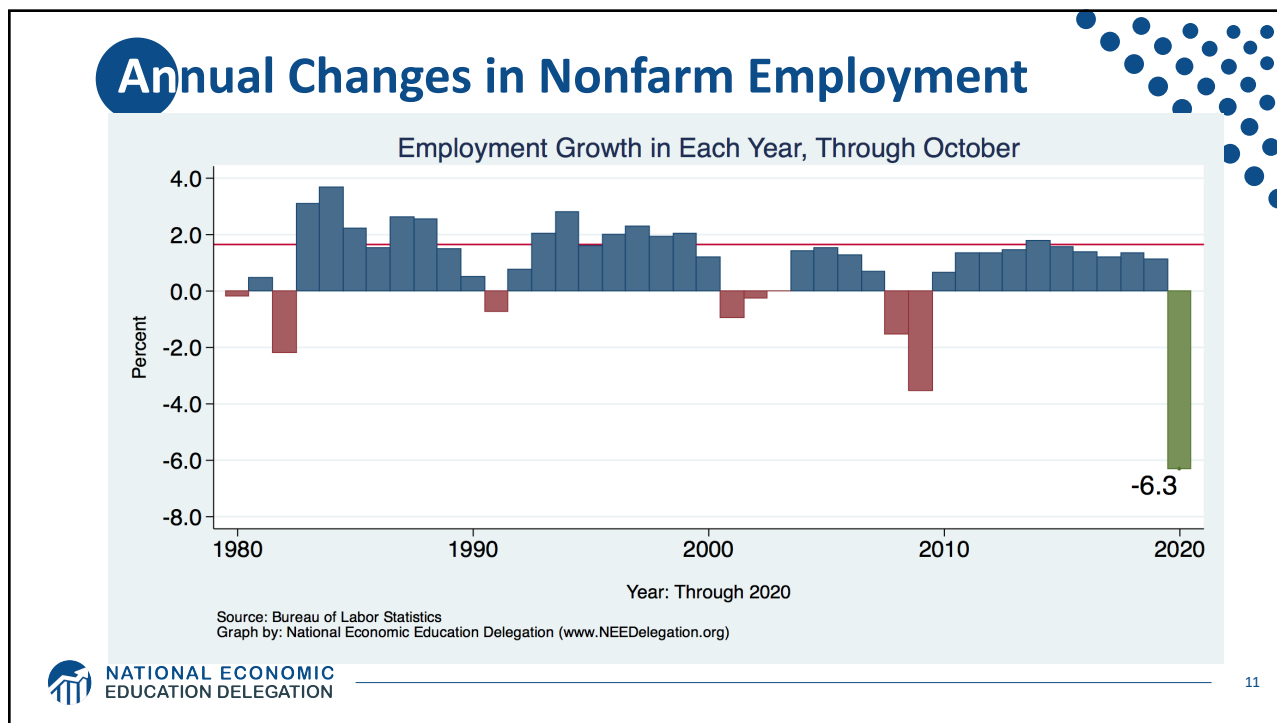
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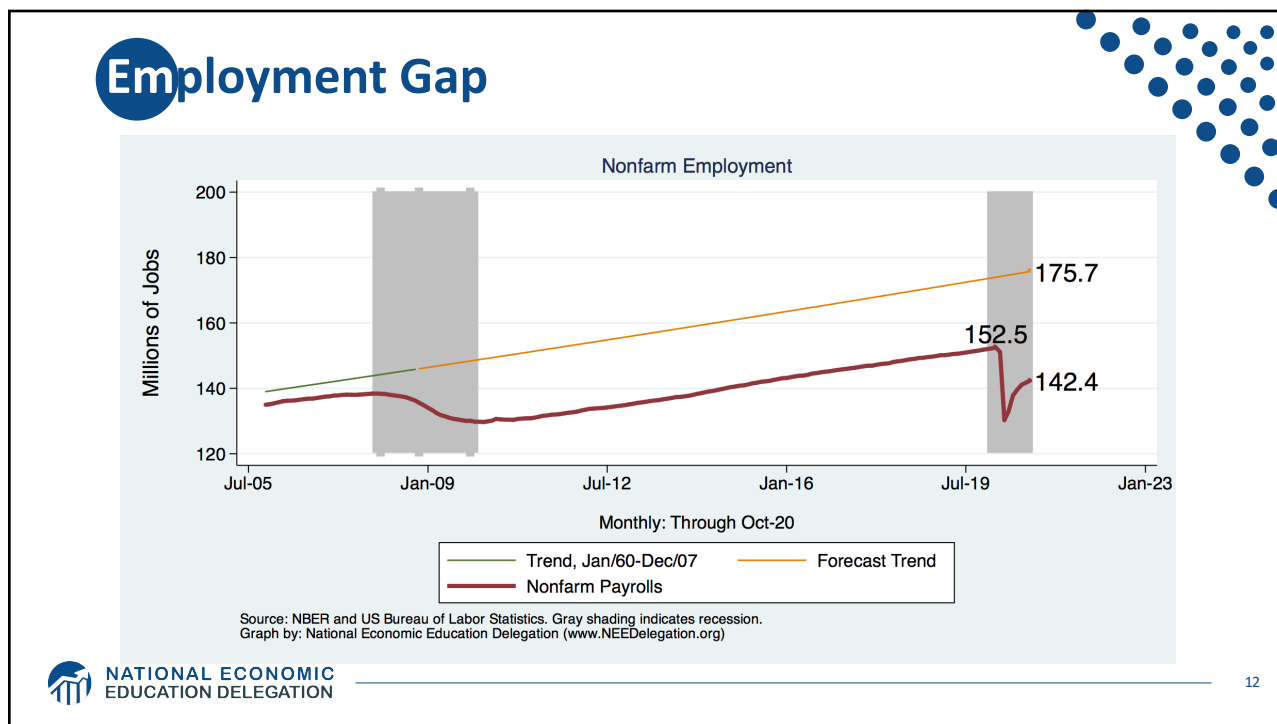
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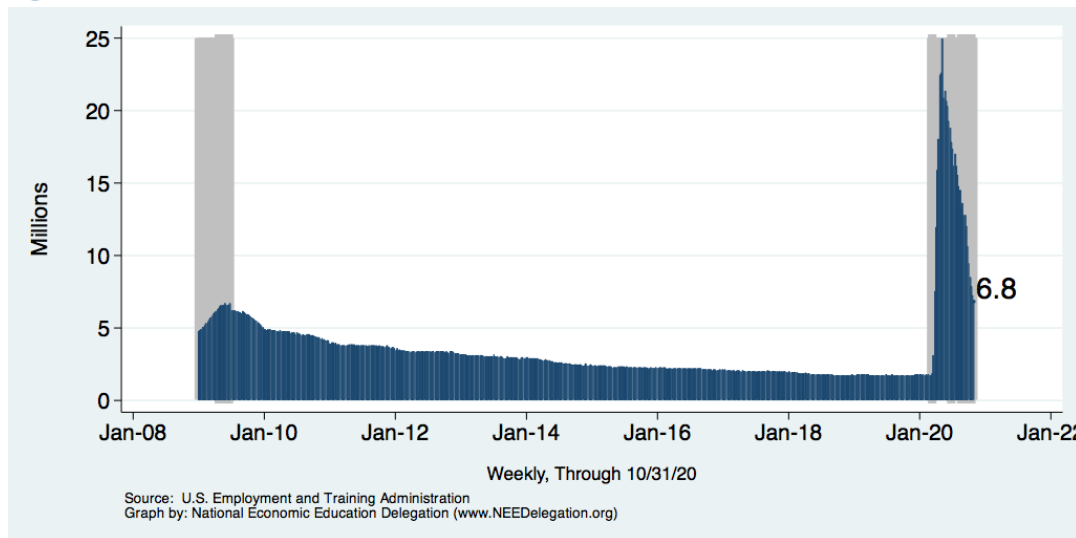


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Continuing Unemployment Claims

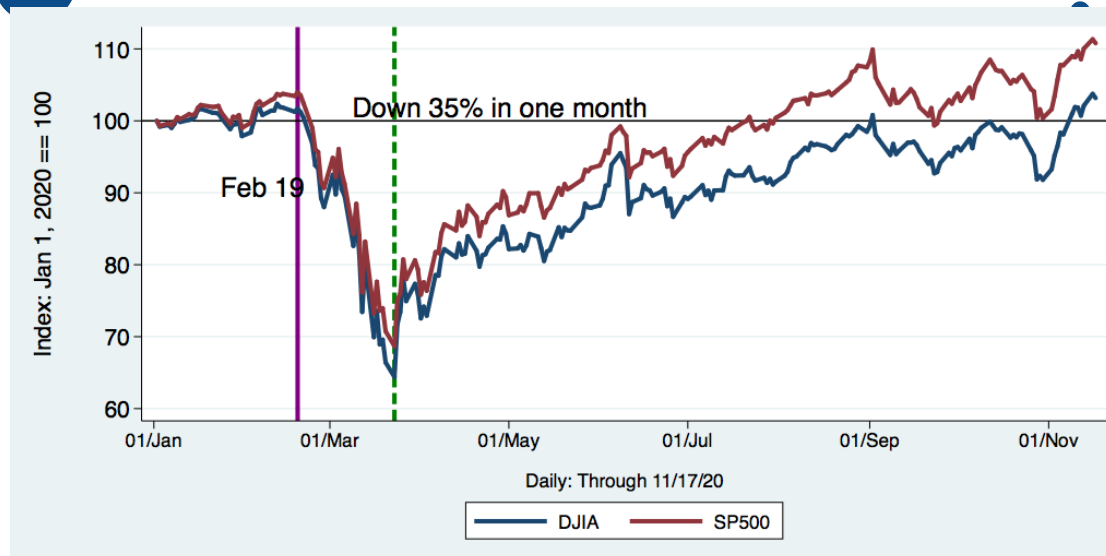


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DJIA and S&P 500



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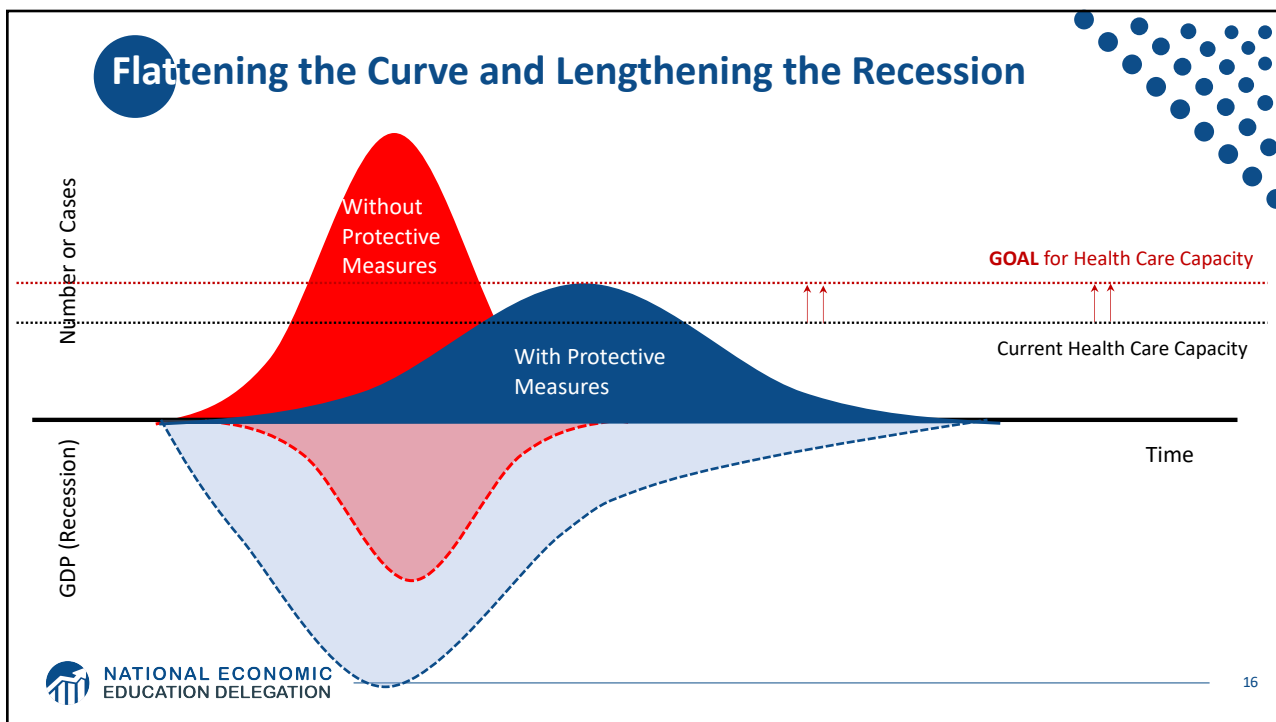
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A Tale of Three Policies Efforts

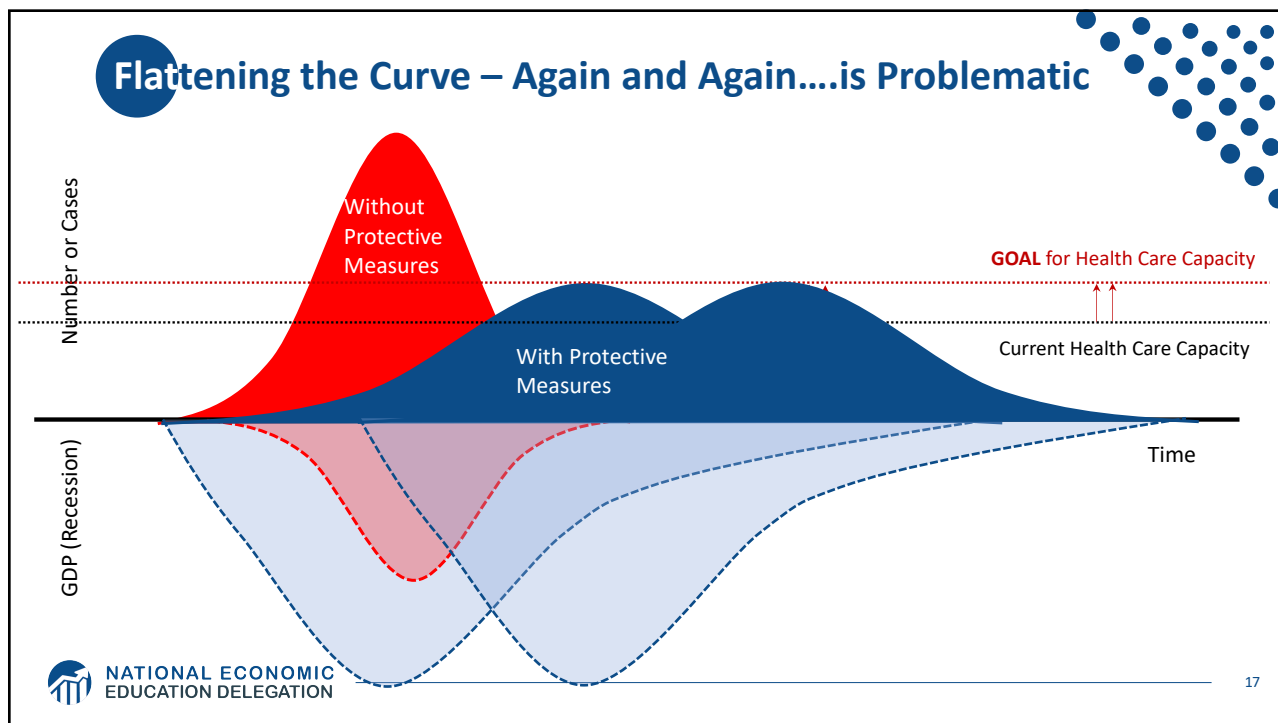
- Social policy: Social Distancing
- Fiscal Policy
- Monetary Policy

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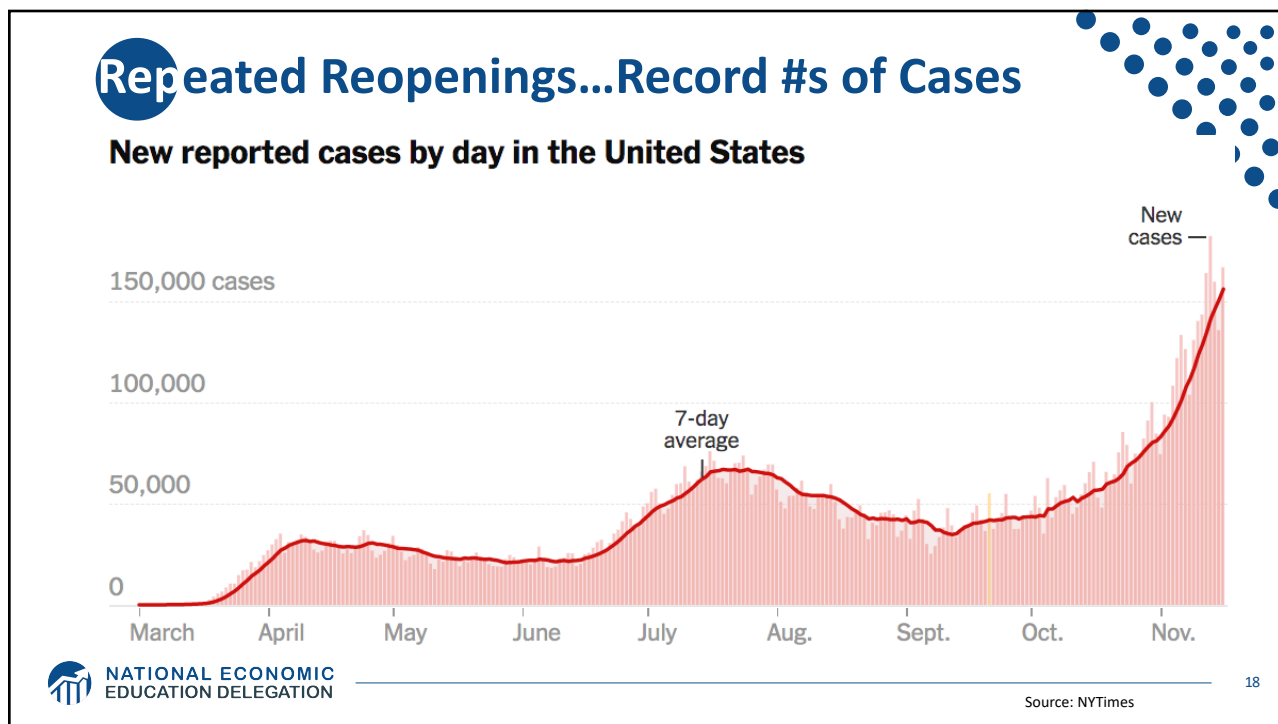
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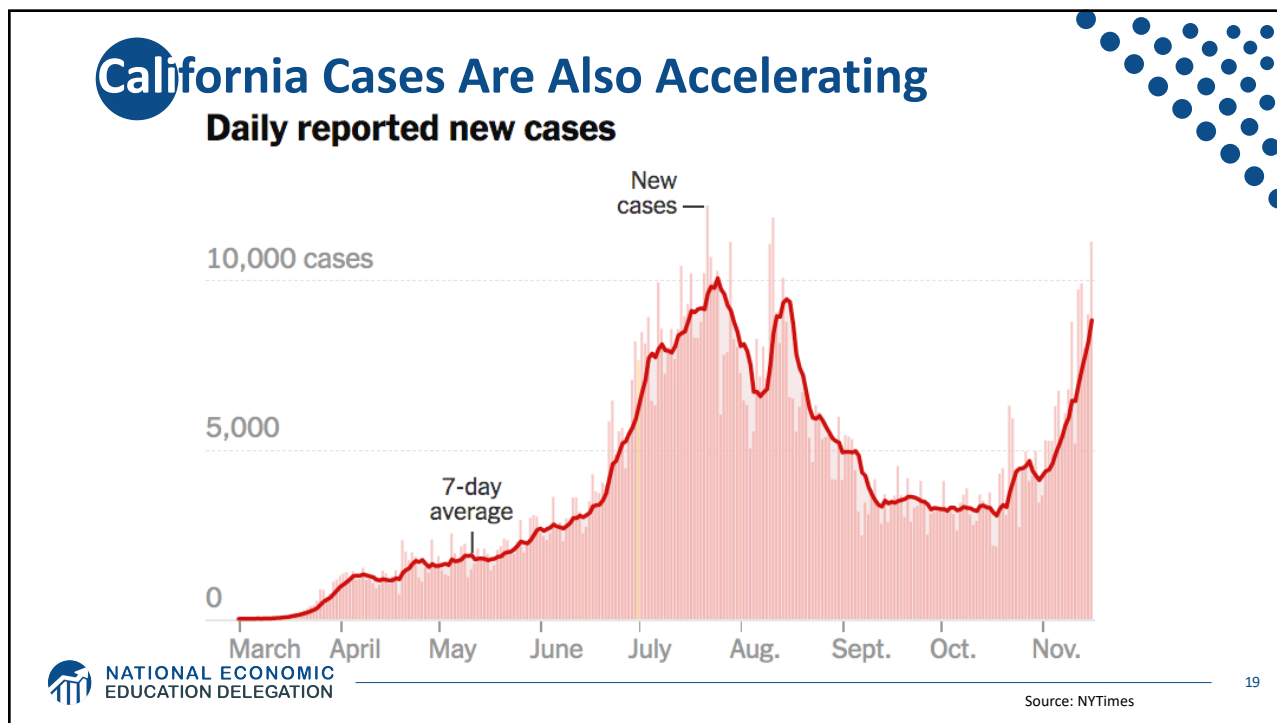
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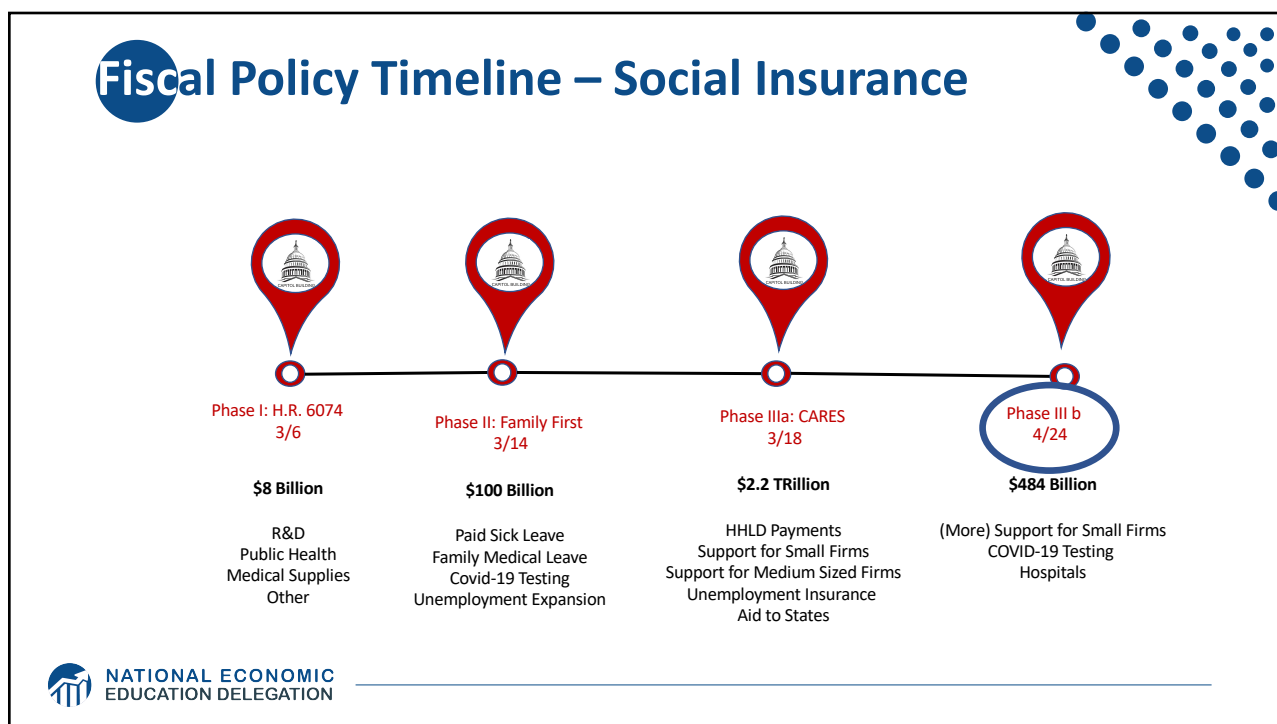
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Monetary Policy – Federal Reserve

- **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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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?
 - Fiscal policy gap!



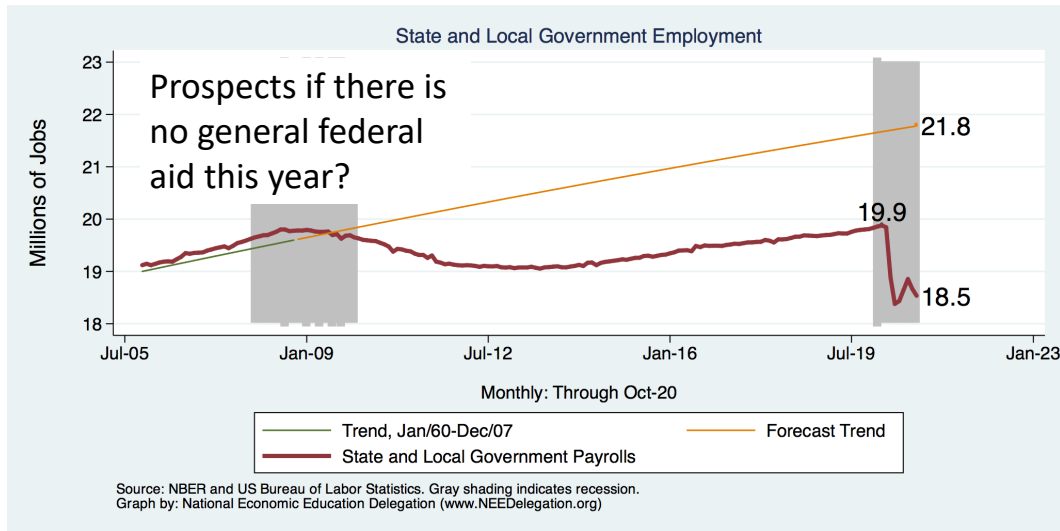
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There is an Enormous Fiscal Policy Gap

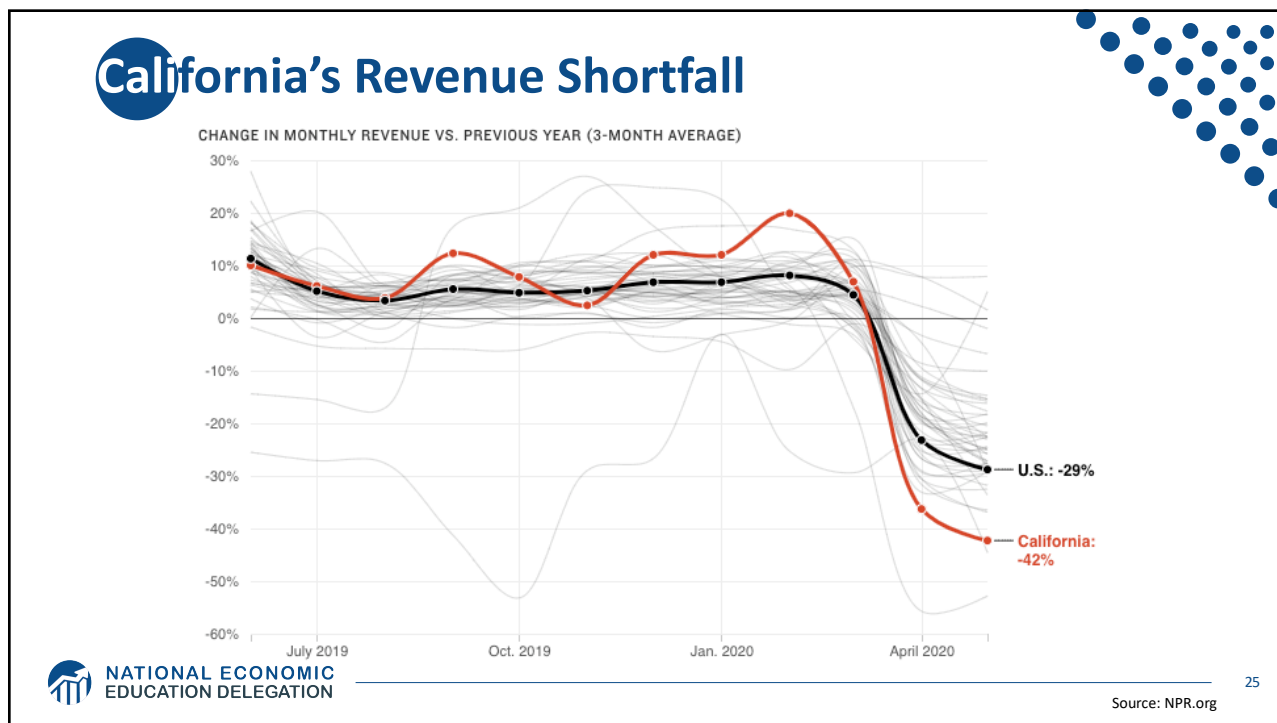
- The last time Congress acted was April 24.
- Unemployment payments are not sufficient.
- Low wage workers are in trouble.
- Small businesses are struggling.
- Renters can't pay rent.
- Lines at food banks are very long.
- States and local governments are slashing budgets.

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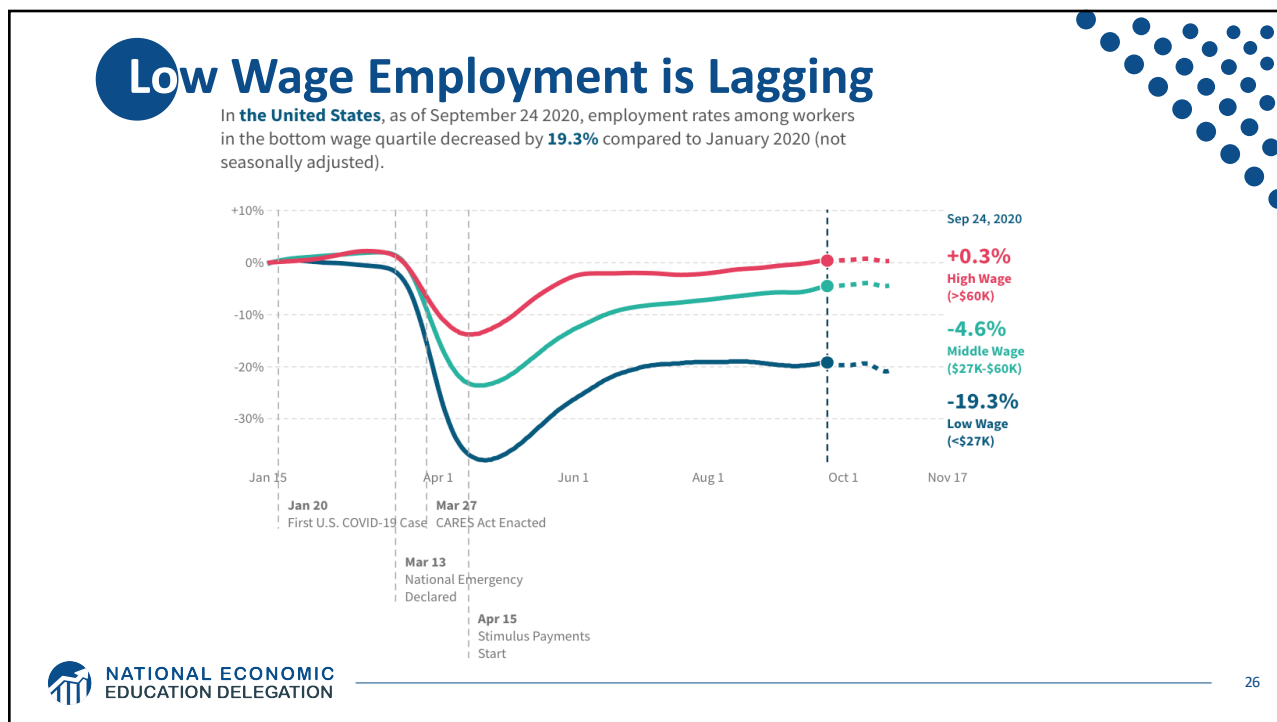
State and Local Employment



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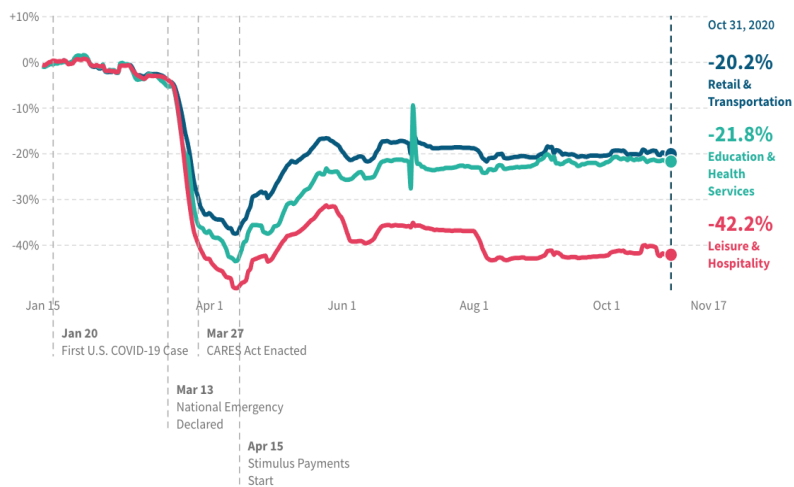
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Small Businesses are Struggling

In the United States, as of October 31 2020, the number of transportation and trade small businesses open decreased by **20.2%** compared to January 2020.



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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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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



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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?

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