



# COVID-19: Economic Implications and Policy Response

Mission San Rafael Rotary

October 8, 2020  
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## National Economic Education Delegation

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- 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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## Outline

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



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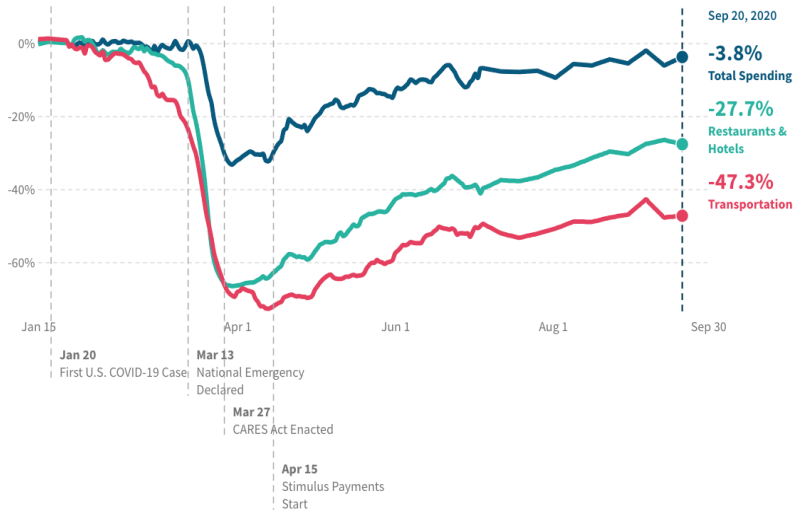
## What is this?

- **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

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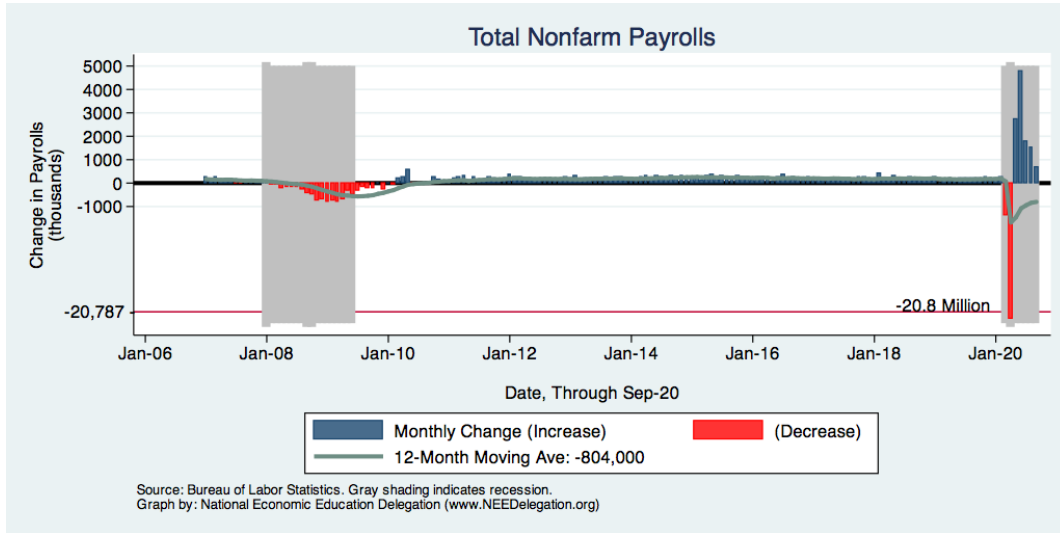
## Spending is (was?) on the Rise

In the United States, as of September 20 2020, total spending by all consumers decreased by **3.8%** compared to January 2020.



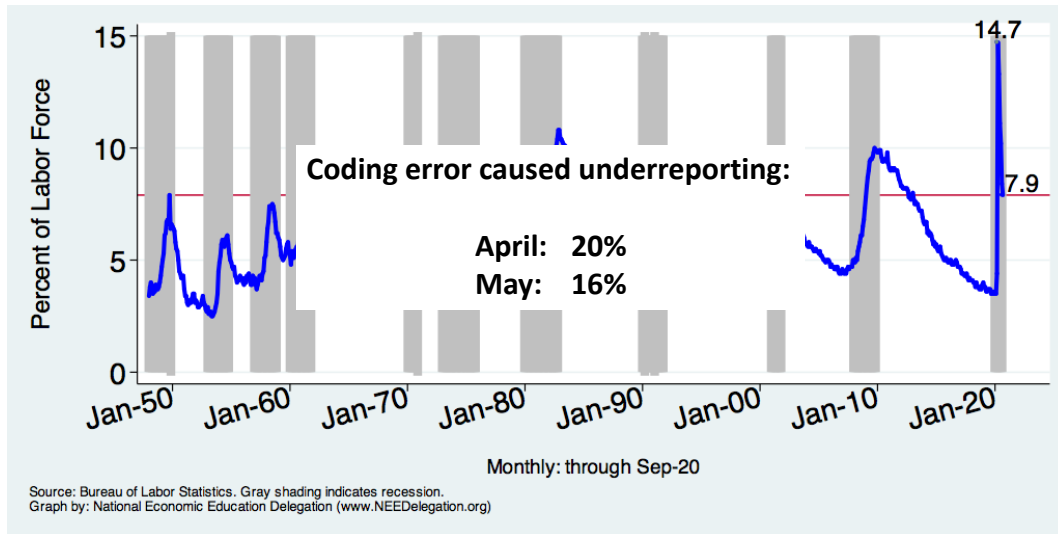
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# Monthly Changes in Nonfarm Employment



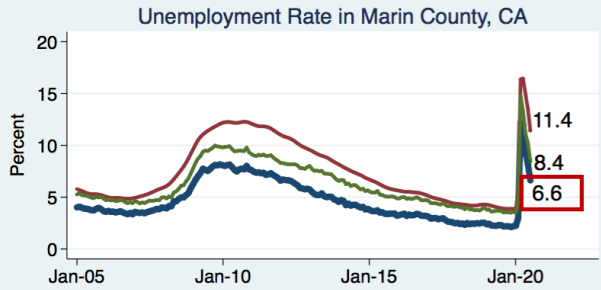
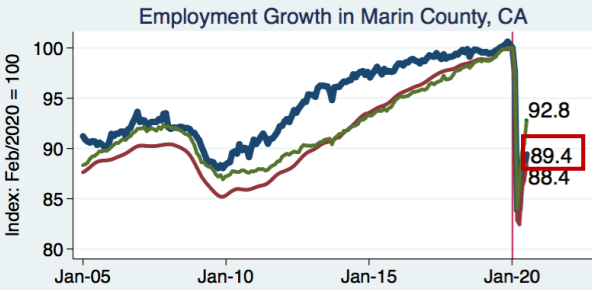
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# Unemployment Rate



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# Employment in Marin County

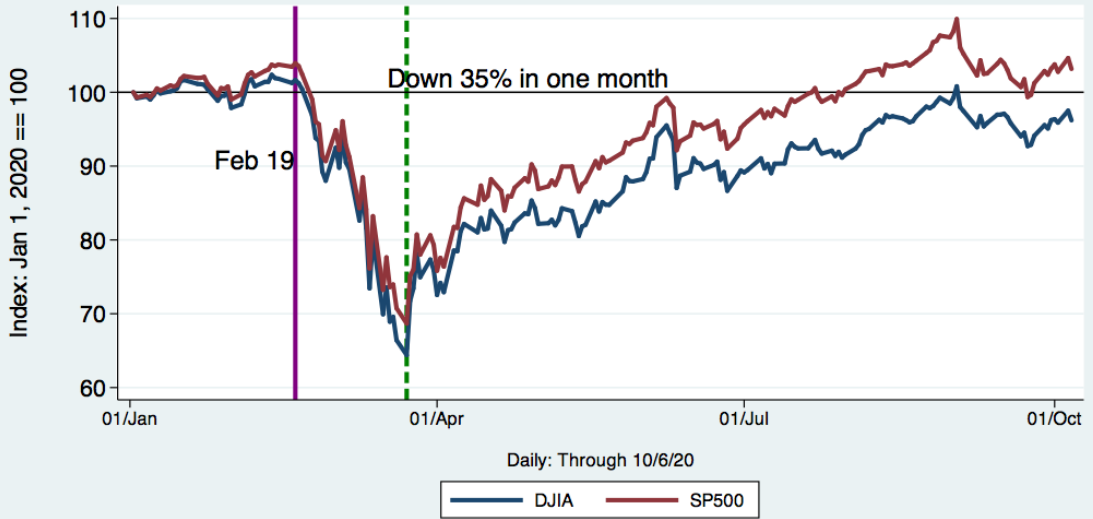


Source: U.S. Bureau of Labor Statistics, Seasonally Adjusted  
Produced by: National Economic Education Delegation (www.NEEDelegation.org)

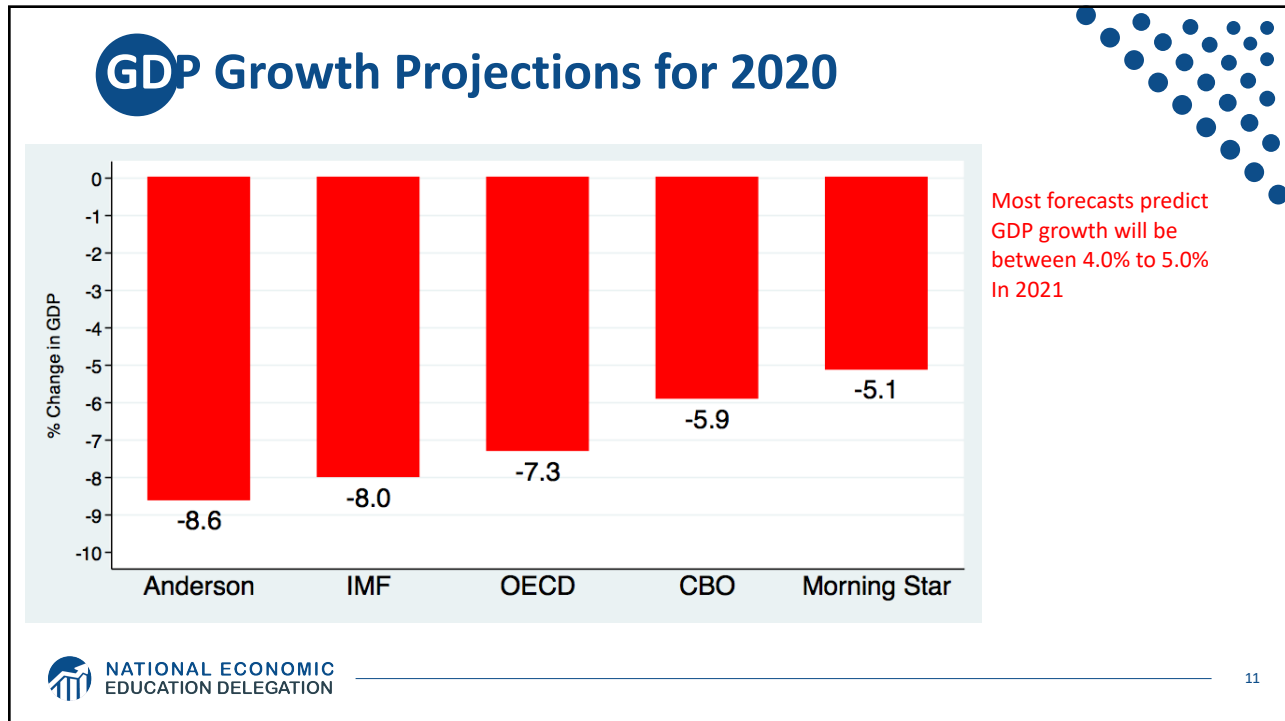
Source: U.S. Bureau of Labor Statistics, Seasonally Adjusted  
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# DJIA and S&P 500



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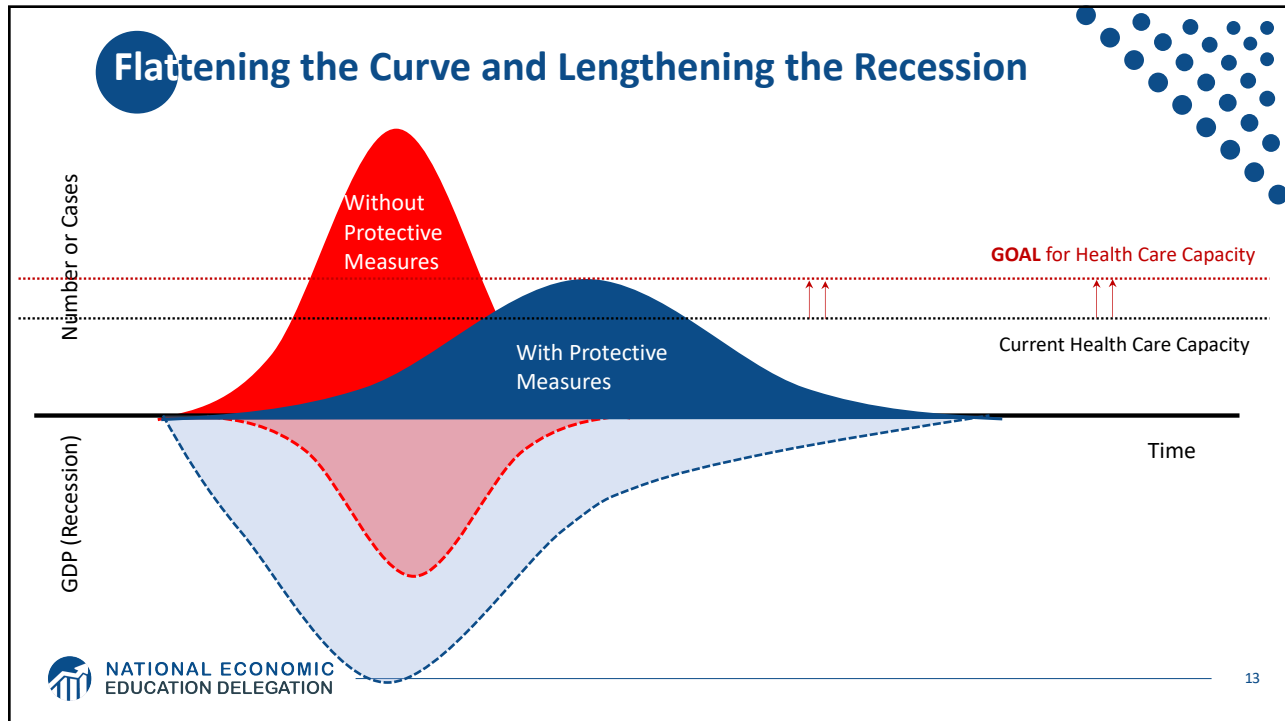
## A Tale of Three Policies Efforts

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

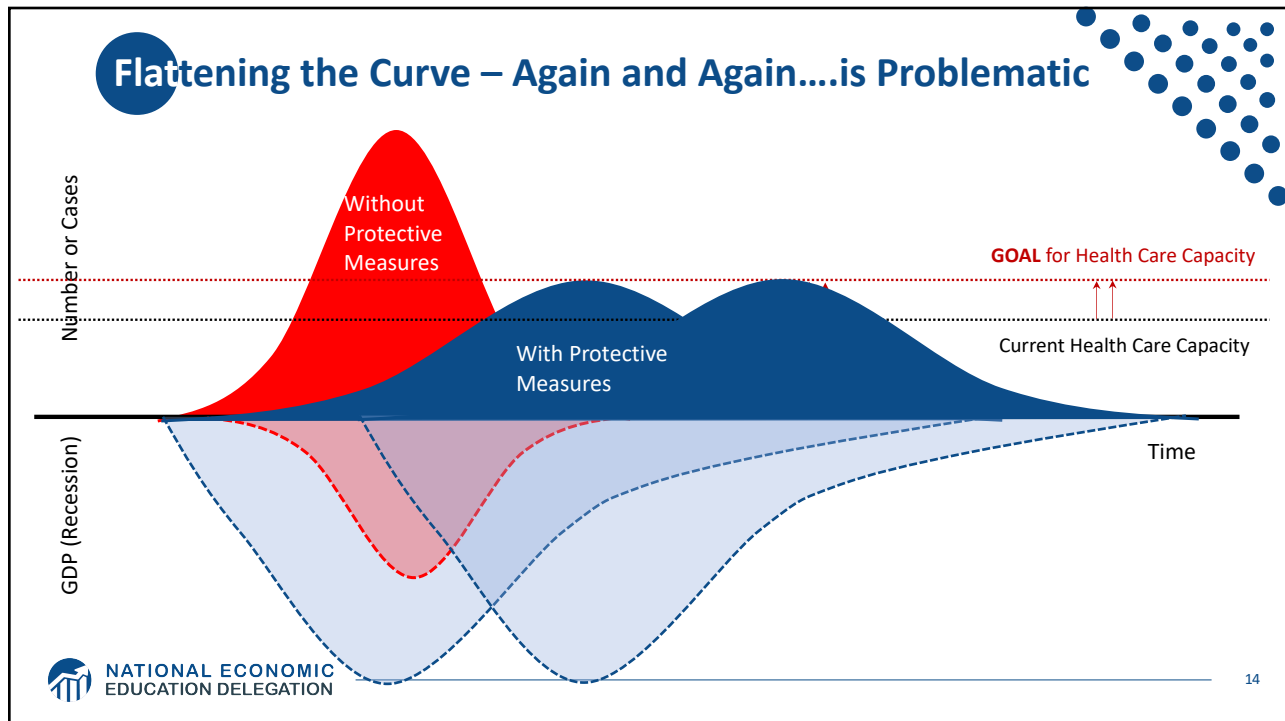
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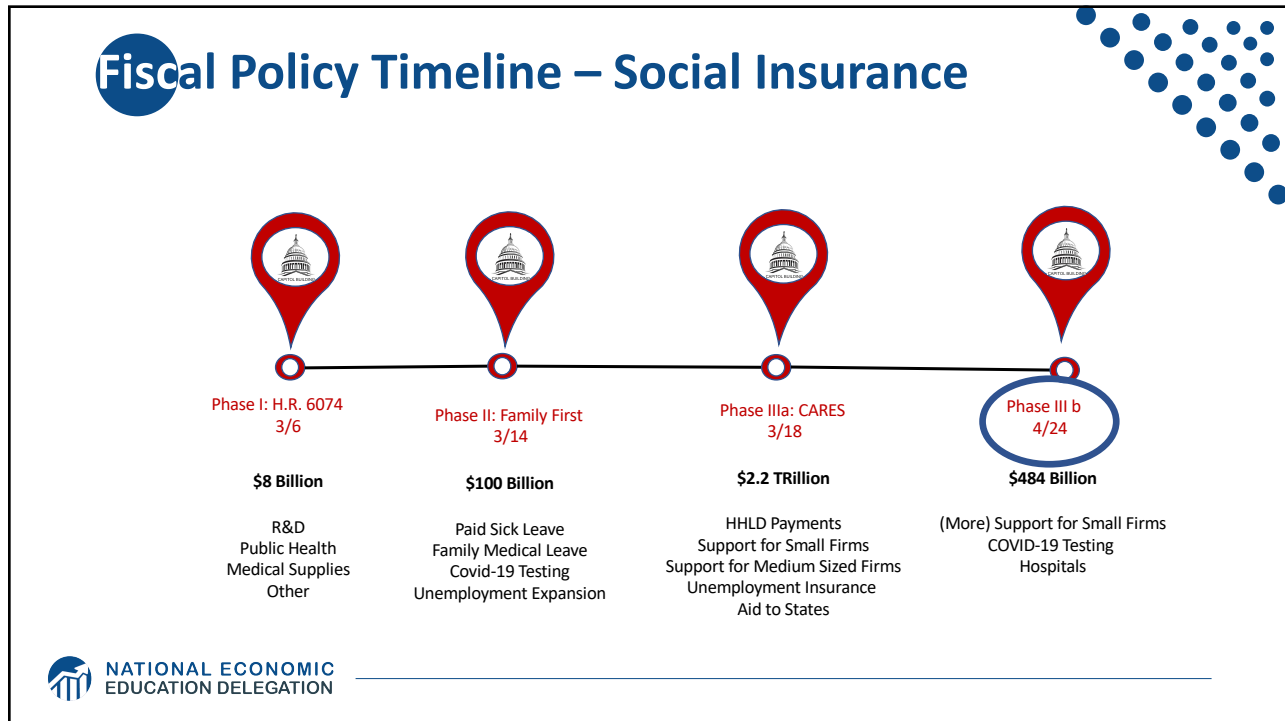
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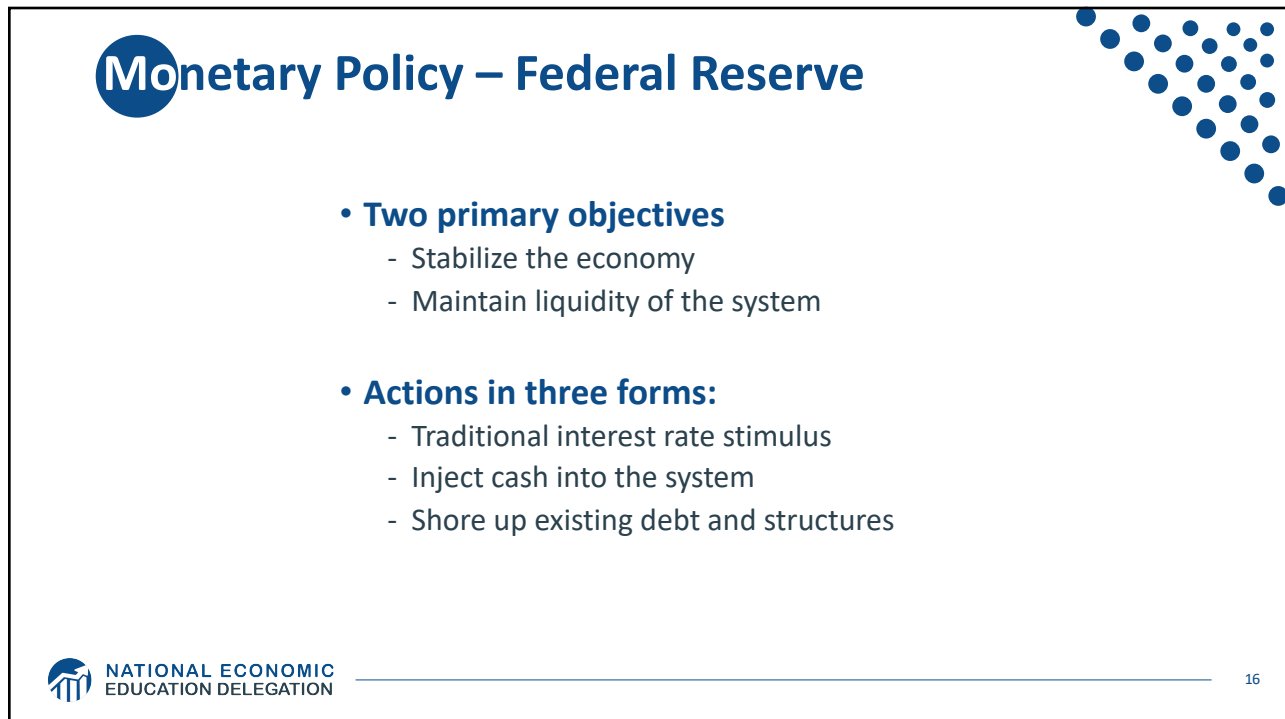
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## Thoughts on Policies to Date

- **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?



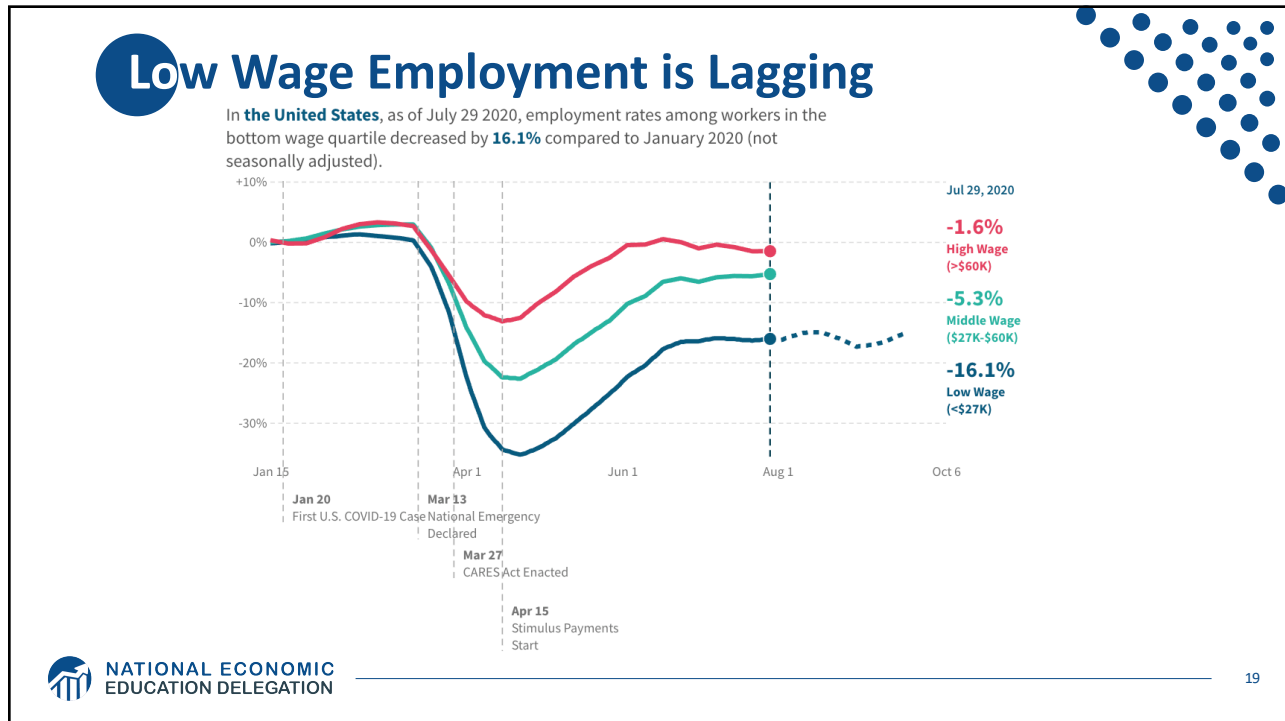
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## There is an Enormous Fiscal Policy Gap

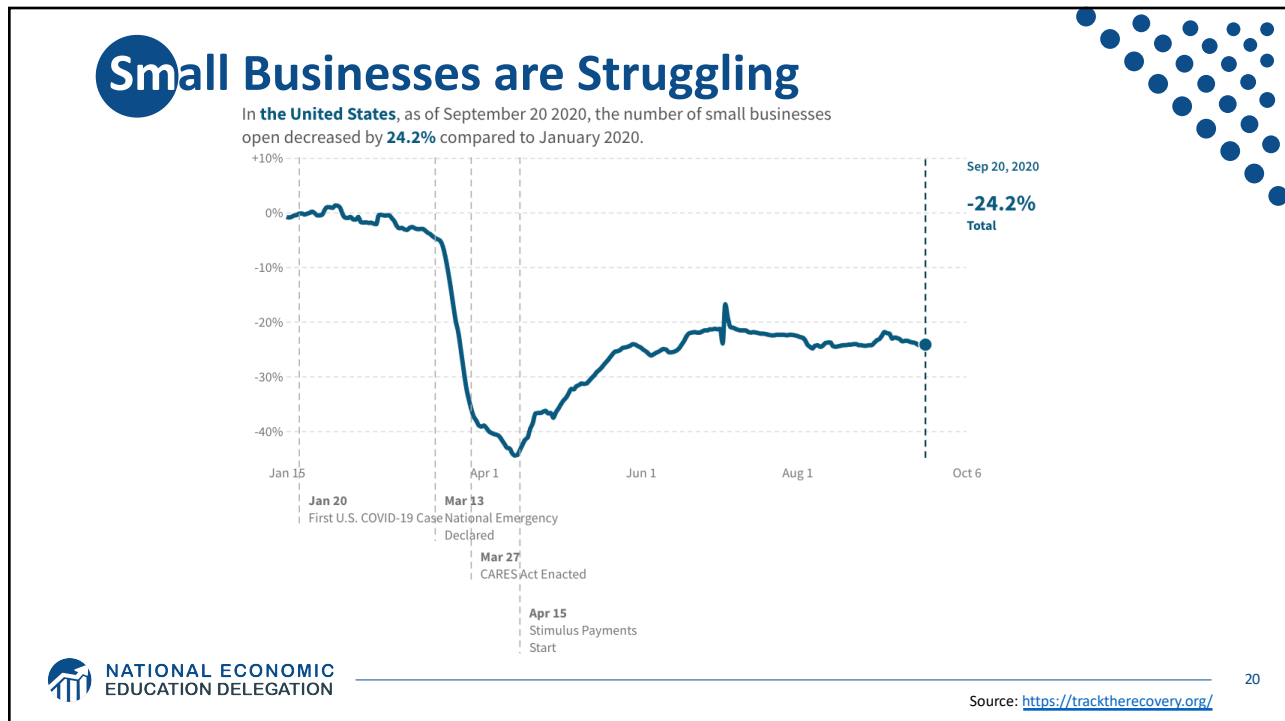
- **The last time Congress acted was April 24.**
- **Unemployment payments are not sufficient.**
- **Low wage workers are in trouble.**
- **Small businesses are struggling.**
- **Renters can't pay rent.**
- **Lines at food banks are very long.**
- **States and local governments are slashing budgets.**



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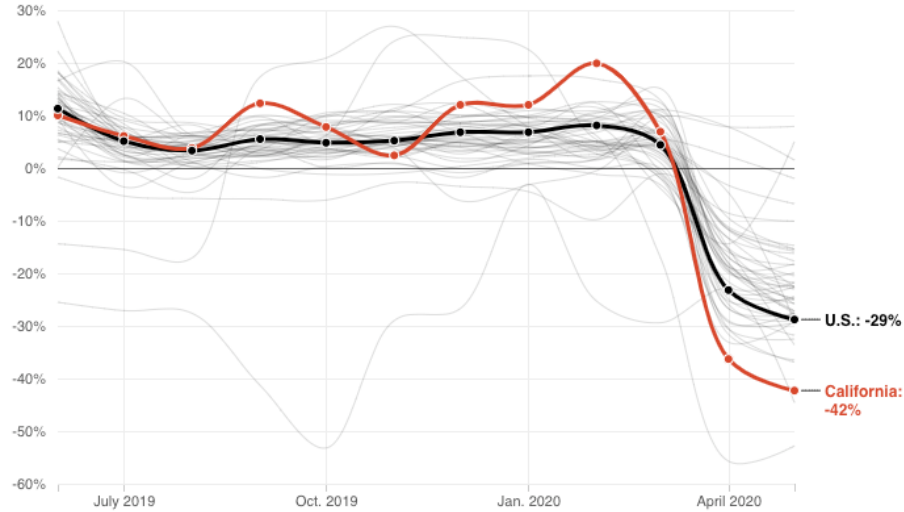
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# California's Revenue Shortfall

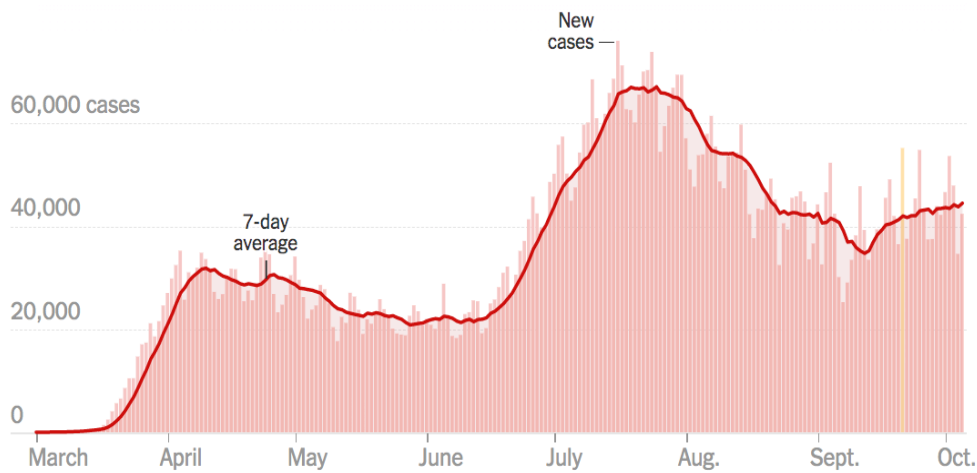
CHANGE IN MONTHLY REVENUE VS. PREVIOUS YEAR (3-MONTH AVERAGE)



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# Additional Concern: Reopening to Soon

New reported cases by day in the United States



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## It's Not This Simple



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## 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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**Thank you!**

# Any Questions?

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