



# COVID-19: Economic Implications and Policy Response

Rotary Club of Santa Maria, CA

April 13, 2021  
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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: 53 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**
- **Trade Wars**
- **Immigration Economics**
- **Housing Policy**
- **Federal Budgets**
- **Federal Debt**
- **Black-White Wealth Gap**
- **Autonomous Vehicles**
- **US Social Policy**



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## Credits and Disclaimer

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

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- Geoffrey Woglom, Amherst College (Emeritus)
- Brian Dombeck, Lewis & Clark College

- **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).



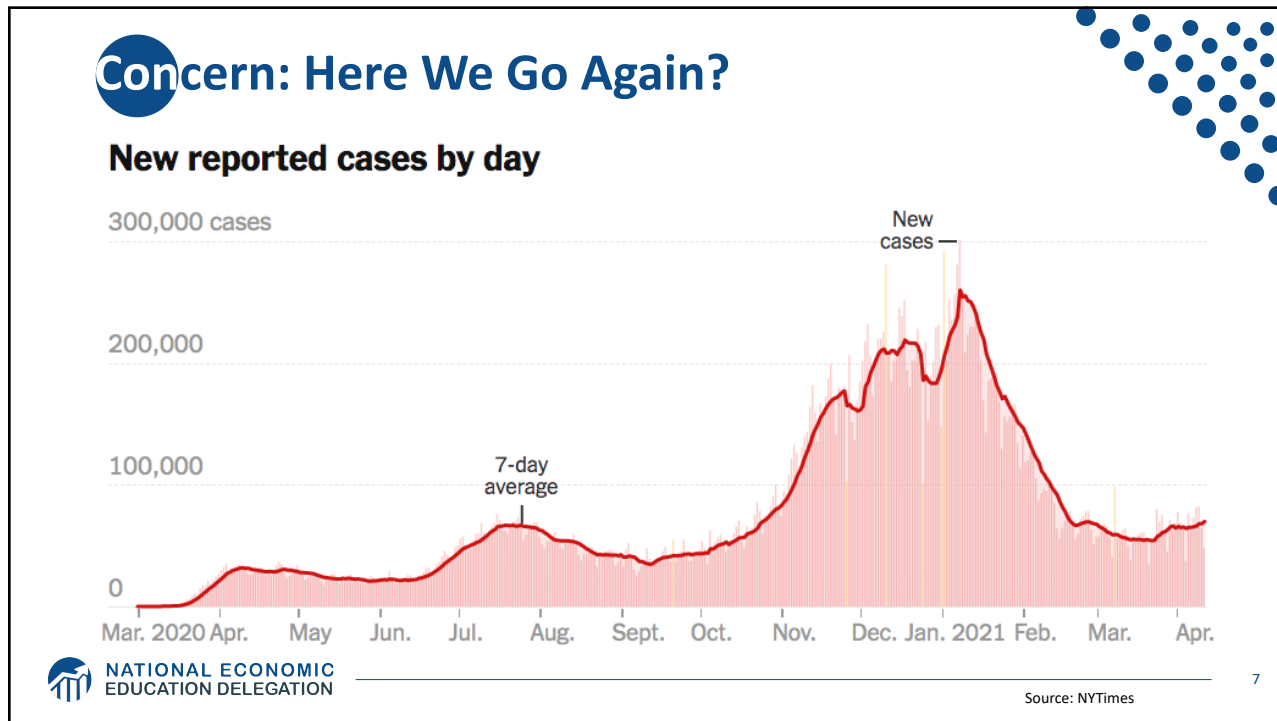
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## Outline

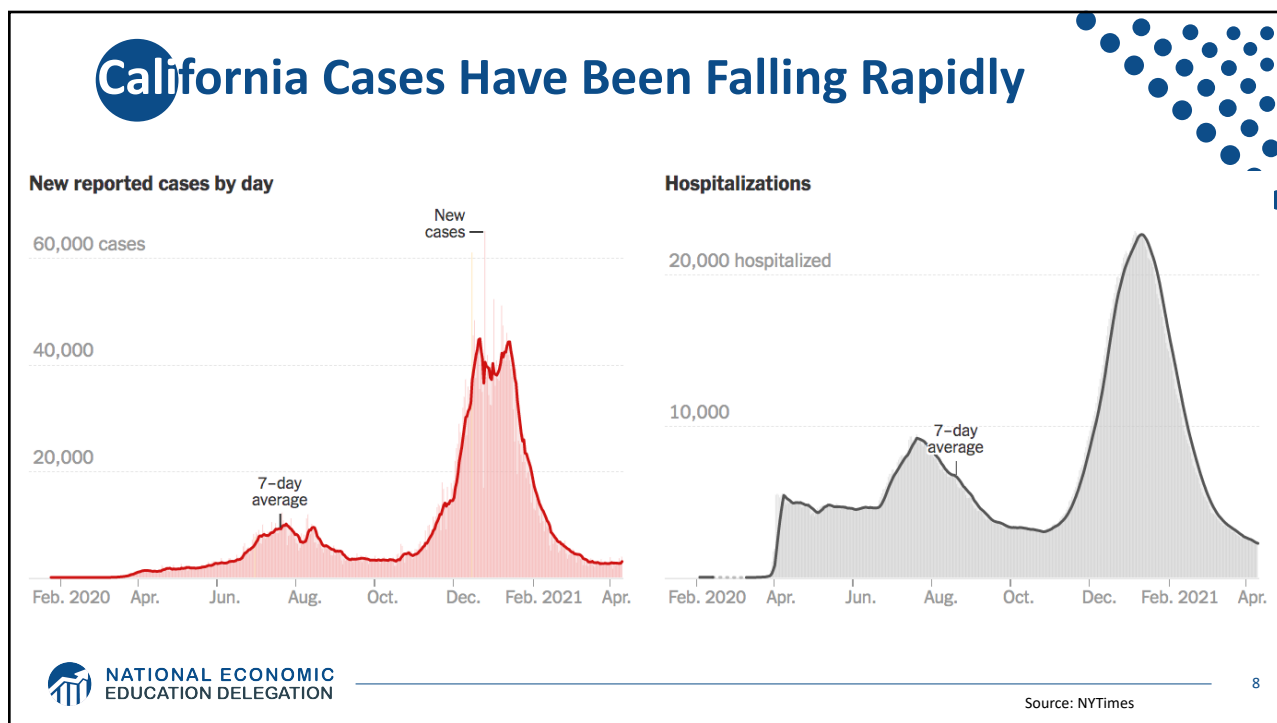
- **State of the pandemic**
- **Where is the recovery now?**
- **How has policy affected the recovery?**
- **The most recent COVID package**



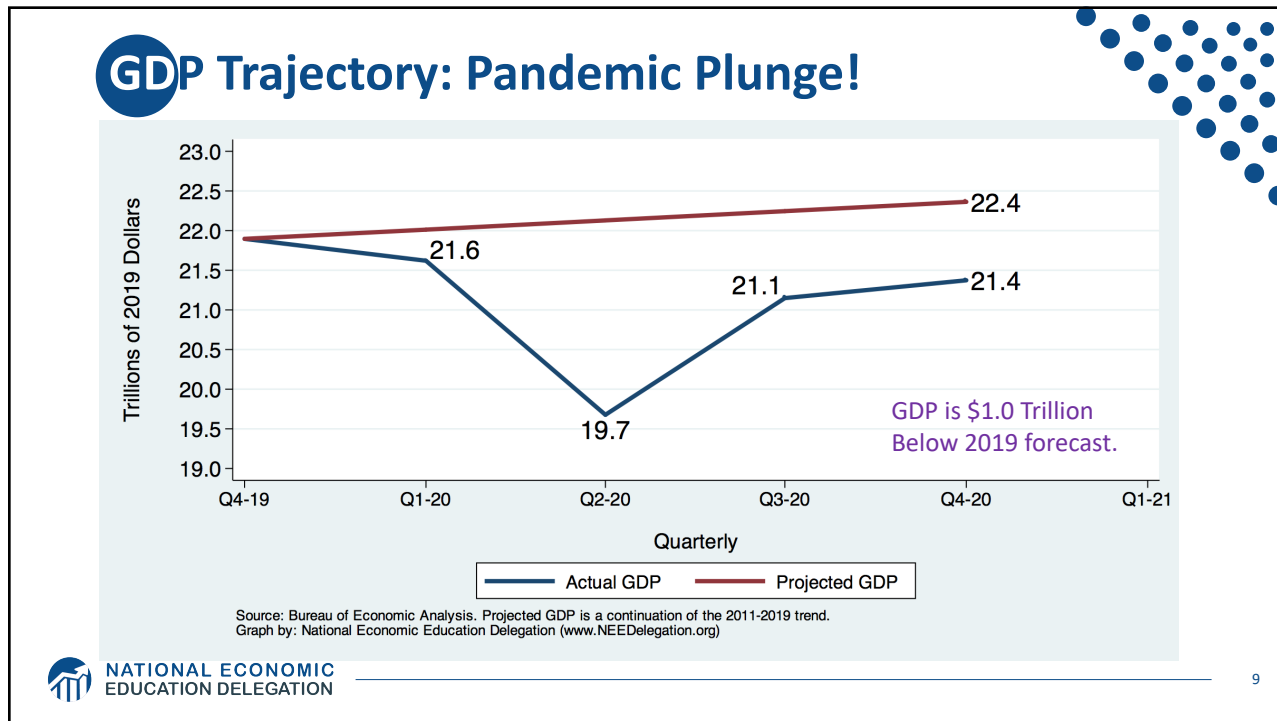
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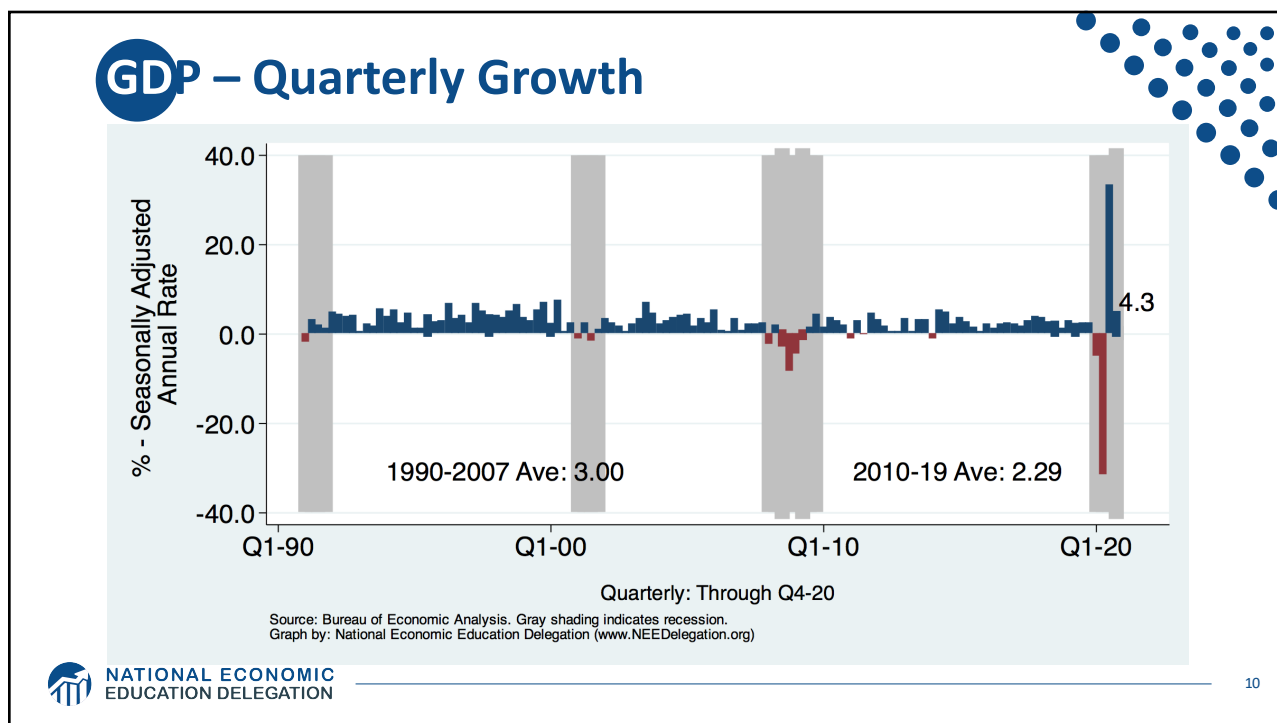
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## Philadelphia Federal Reserve

	Real GDP (%)		Unemployment Rate (%)	
	Previous	New	Previous	New
Quarterly				
2021:Q1	3.2	3.2	6.7	6.3
2021:Q2	3.5	5.0	6.5	6.1
2021:Q3	3.5	5.3	6.1	5.7
2021:Q4	3.3	4.0	5.8	5.4
2022:Q1	N.A.	3.7	N.A.	5.1
Annual data (projections based on annual averages):				
2021	4.0	4.5	6.3	5.9
2022	3.0	3.7	5.2	4.8
2023	2.1	3.1	4.6	4.2
2024	N.A.	2.5	N.A.	4.0

- 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 March 14, 2021, total spending by all consumers increased by **5.5%** compared to January 2020.

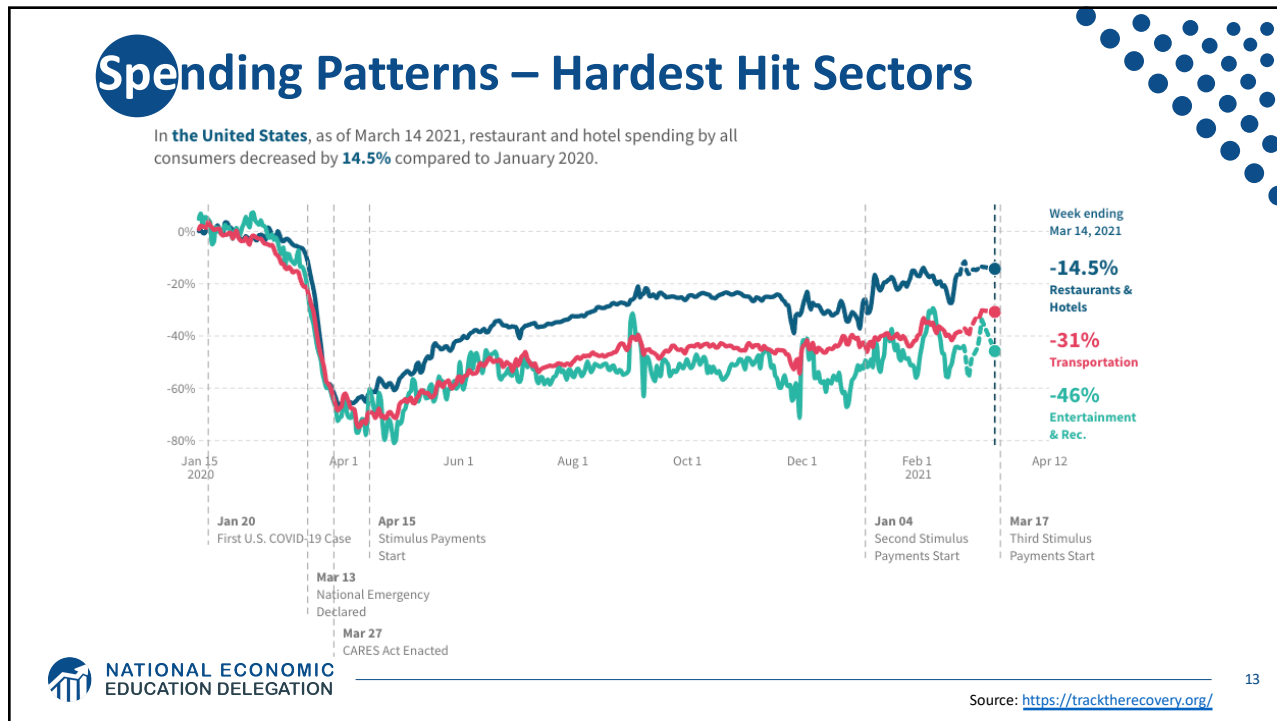
Key events on the chart:

- Jan 20: First U.S. COVID-19 Case
- Mar 13: National Emergency Declared
- Mar 27: CARES Act Enacted
- Apr 15: Stimulus Payments Start
- Jan 04, 2021: Second Stimulus Payments Start
- Mar 17, 2021: Third Stimulus Payments Start

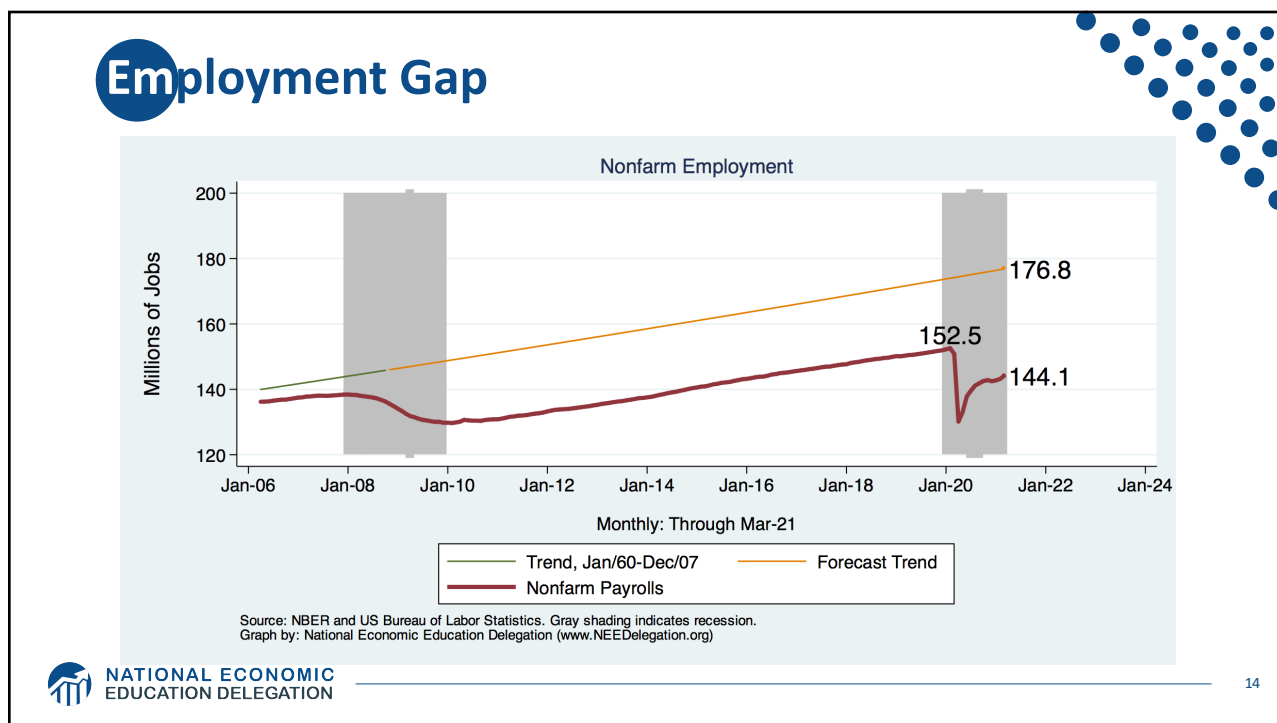
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Source: <https://tracktherecovery.org/>

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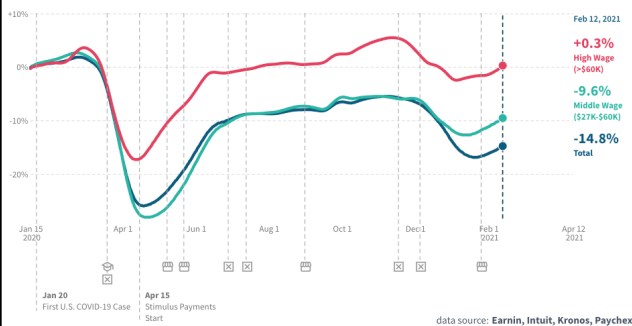


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# Conditions Closer to Home

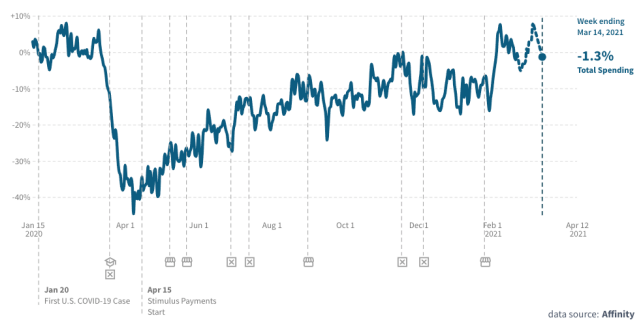
## Employment in Santa Barbara County

In Santa Barbara, as of February 12, 2021, employment rates decreased by **14.8%** compared to January 2020 (not seasonally adjusted).



## Consumer Spending in Santa Barbara County

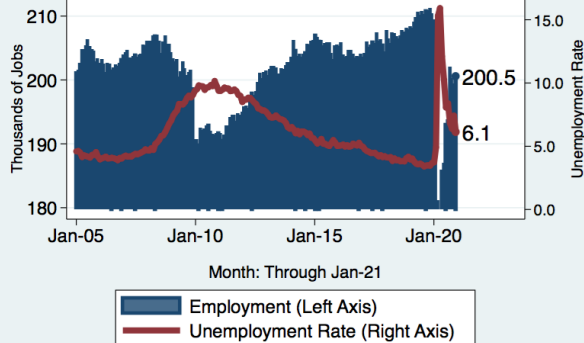
In Santa Barbara, as of March 14, 2021, total spending by all consumers decreased by **1.3%** compared to January 2020.



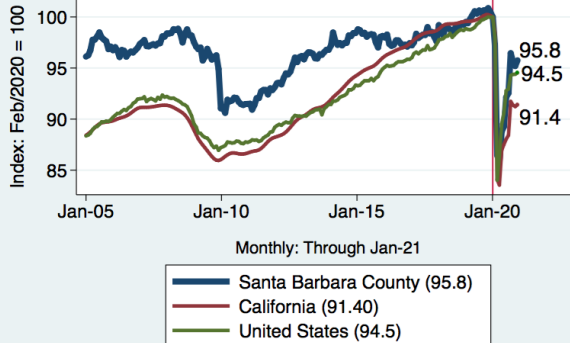
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# Employment Situation: Santa Barbara County

## Employment Situation in Santa Barbara County, CA



## Employment Growth in Santa Barbara County, CA



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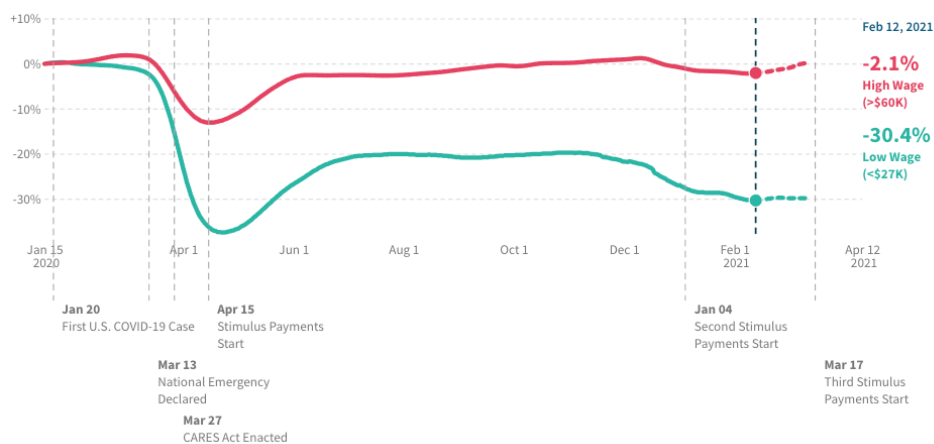
## What Have Been Policy Effects

- **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

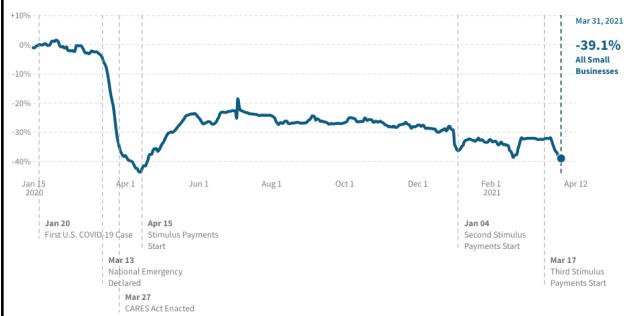
In the **United States**, as of February 12, 2021, employment rates among workers in the bottom wage quartile decreased by **30.4%** compared to January 2020 (not seasonally adjusted).



# Another Hard-Hit Sector: Small Business

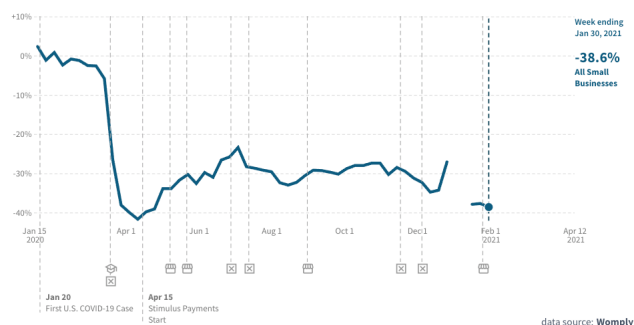
## Small Biz Closures in the United States

In the United States, as of March 31, 2021, the number of small businesses open decreased by **39.1%** compared to January 2020.

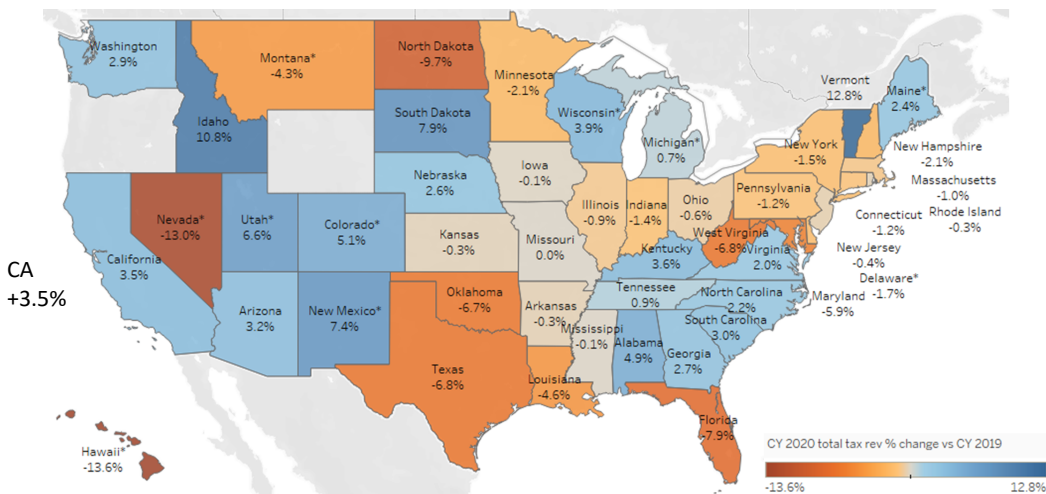


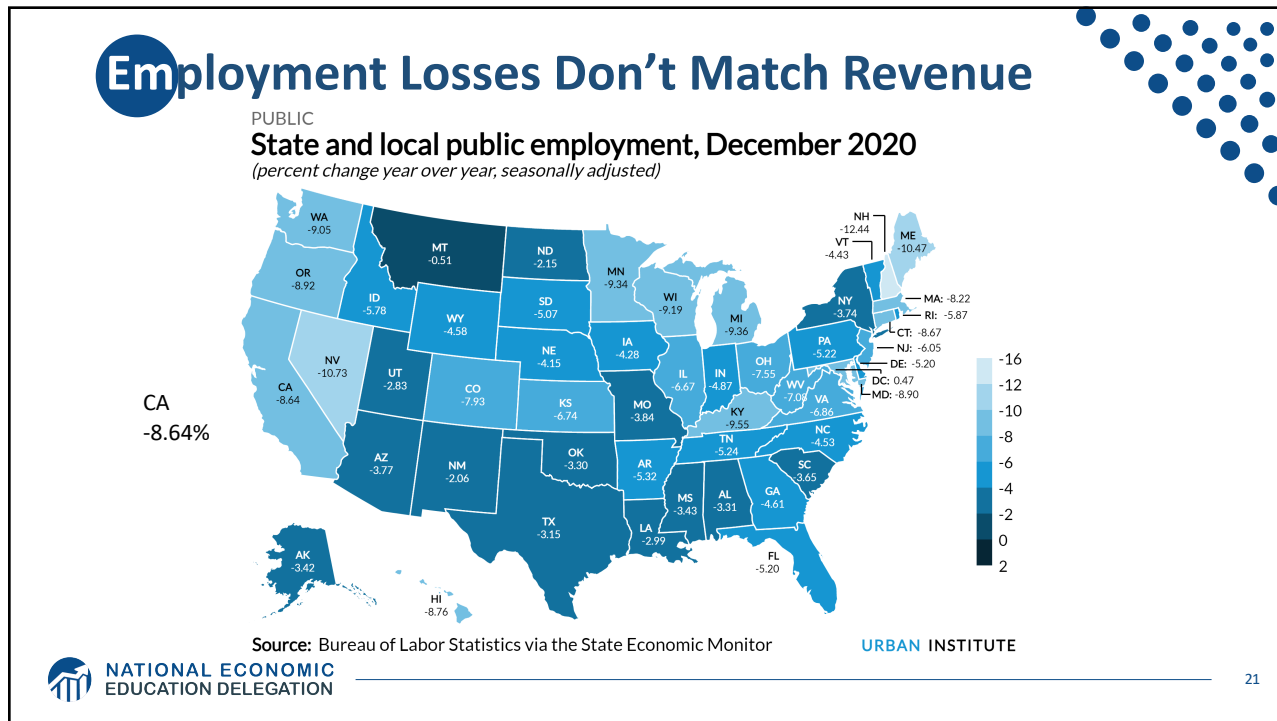
## Small Biz Closures in Santa Barbara County

In Santa Barbara, as of January 30, 2021, the number of small businesses open decreased by **38.6%** compared to January 2020.

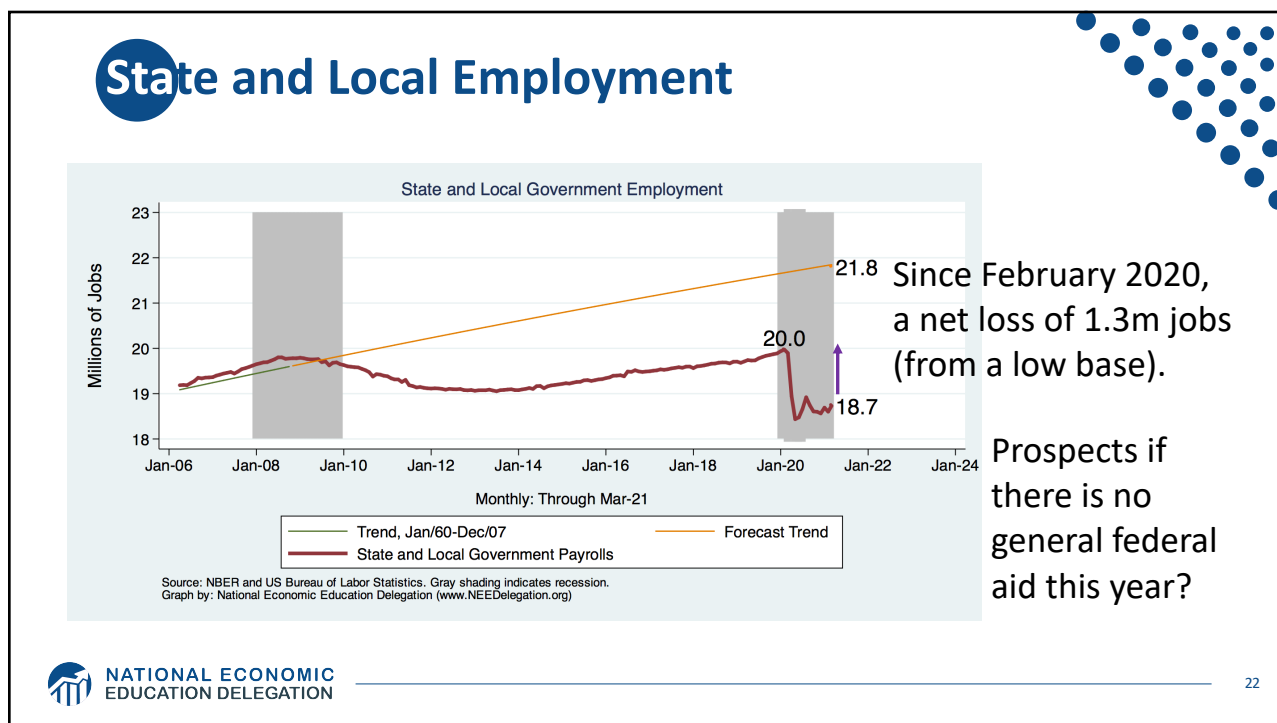


# 2020 State Tax Receipts Relative to 2019

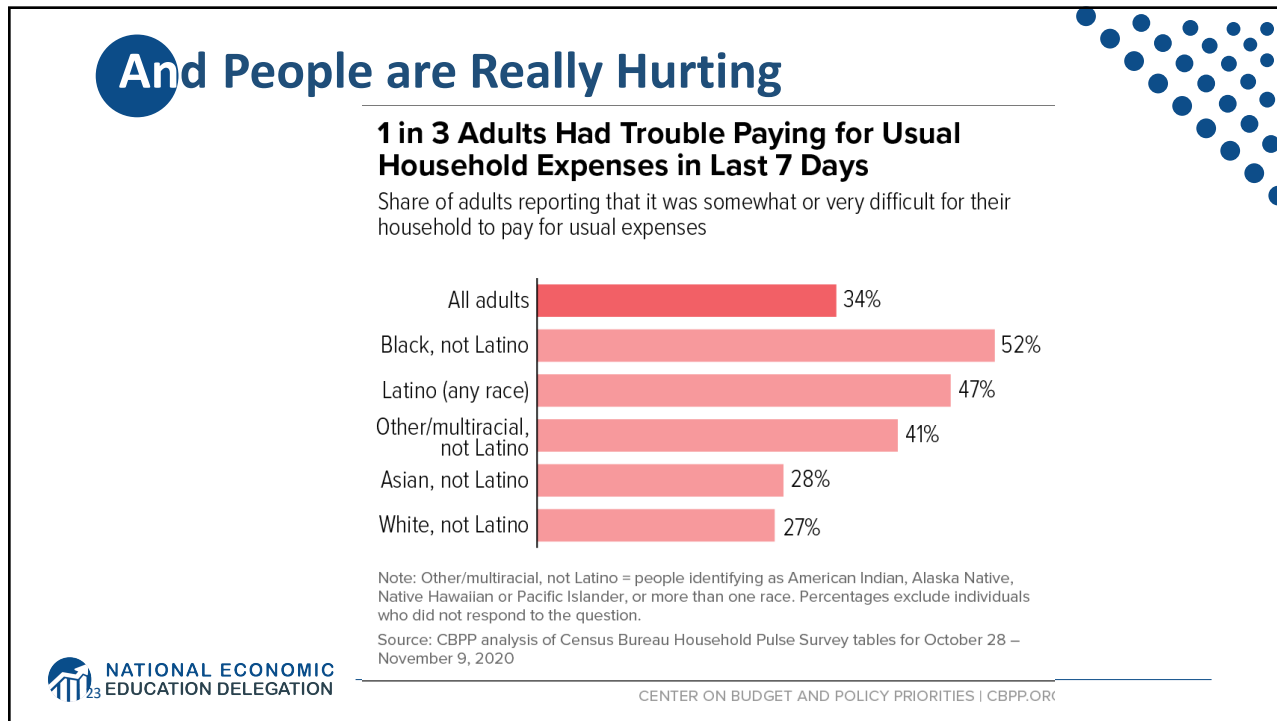




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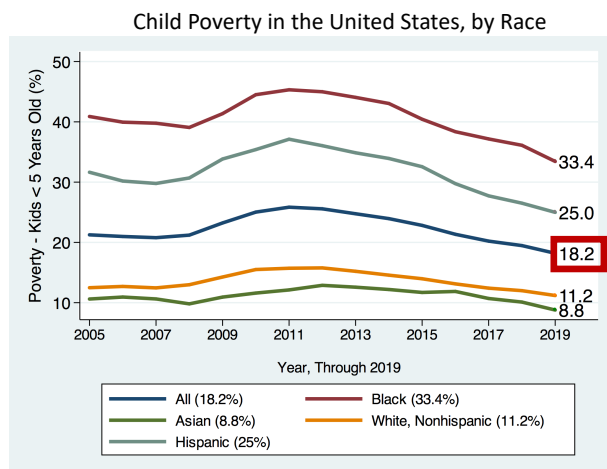
## So, The President Went Big!

	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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## \$1.9 Trillion Plan – Includes Other Initiatives



- Child poverty alleviation
- Pension fund support
- Benefits for veterans
- Gender-based violence protections
- SNAP and TANF increases
- Other...



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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.



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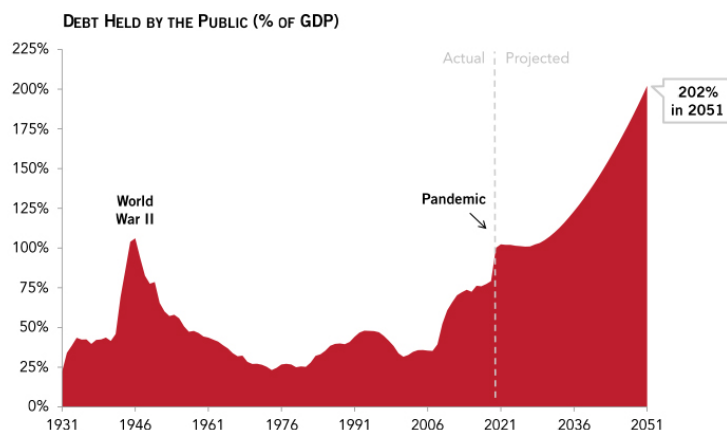
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## A Problem Exacerbated....Not Created



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

- **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.**



**Thank you!**

# Any Questions?

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

Contact NEED: [info@needelegation.org](mailto:info@needelegation.org)

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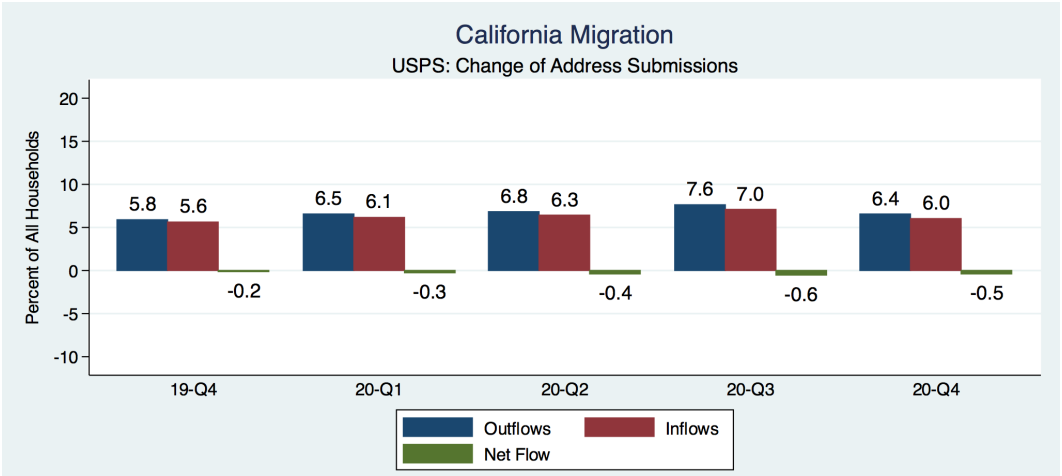
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## Population Change: California

California Migration  
 USPS: Change of Address Submissions



Quarter	Outflows (%)	Inflows (%)	Net Flow (%)
19-Q4	5.8	5.6	-0.2
20-Q1	6.5	6.1	-0.3
20-Q2	6.8	6.3	-0.4
20-Q3	7.6	7.0	-0.6
20-Q4	6.4	6.0	-0.5

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

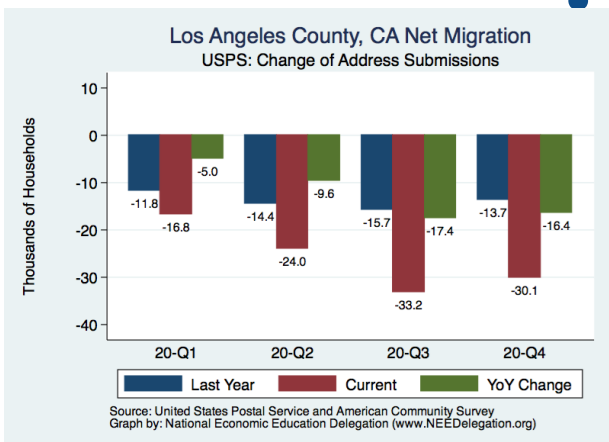
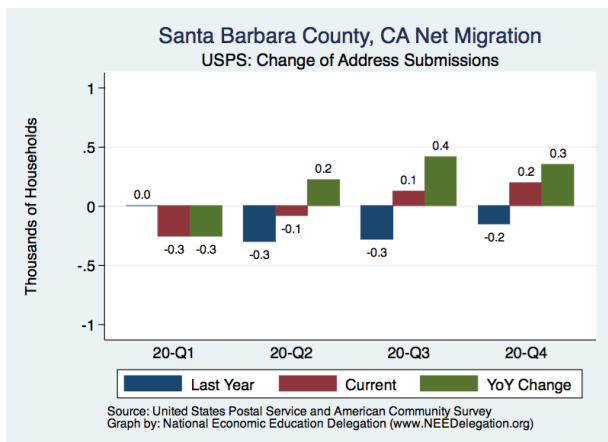
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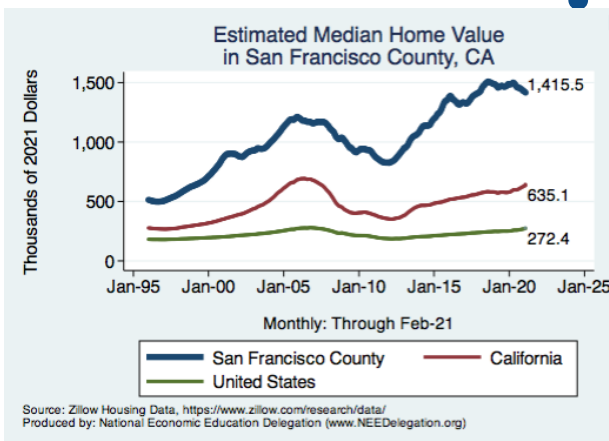
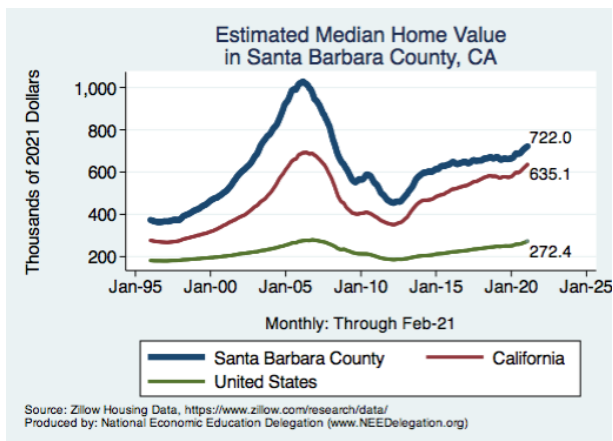
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# Population Change: Santa Barbara & LA



# Another Gauge: Real Estate



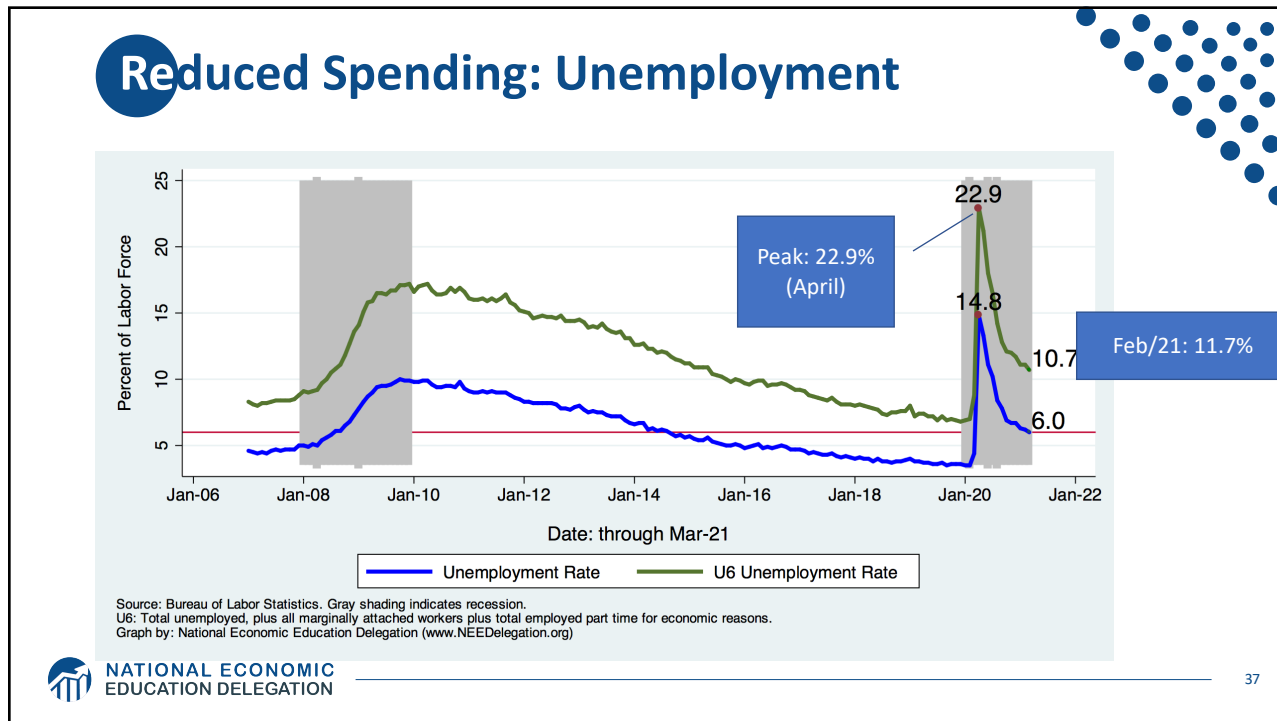
## More Santa Barbara County Graphs Here:

- <https://needelegation.org/LocalGraphs>  
- Click through "Counties", "CA" and "Santa Barbara"

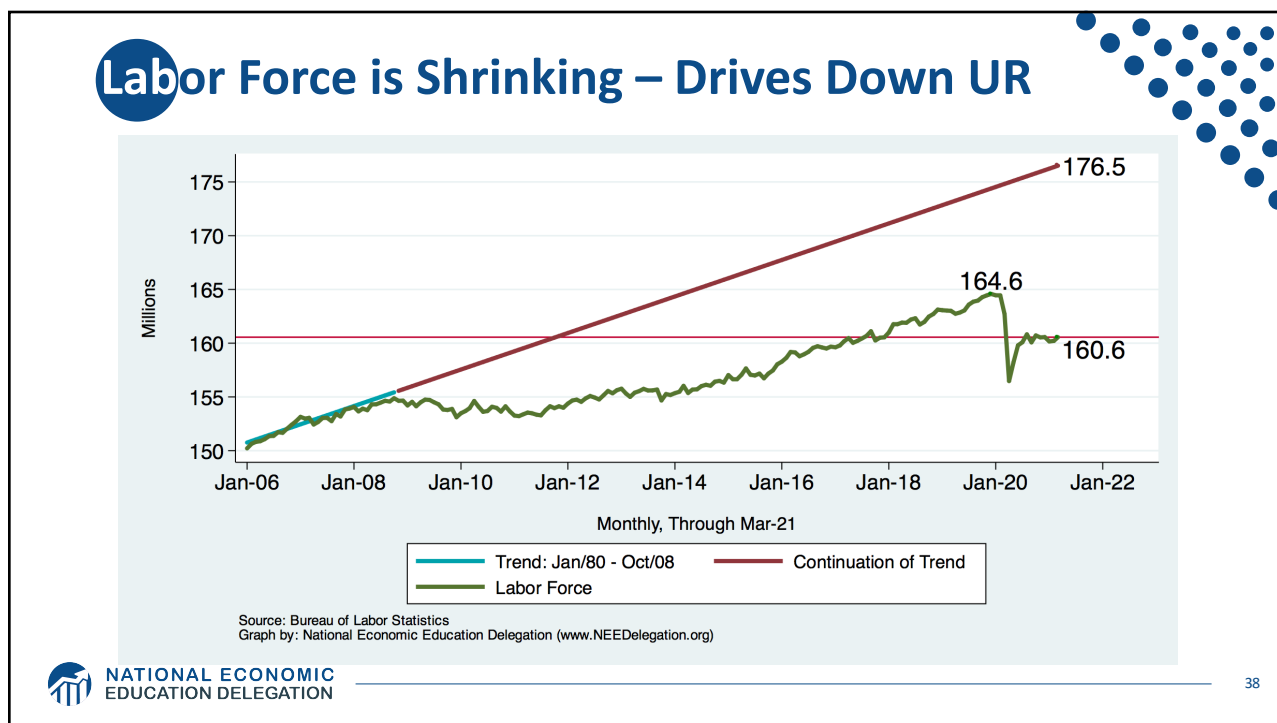
## Spending Patterns – Sectors Doing OK

In the United States, as of February 14, 2021, retail spending (including online purchases, excluding groceries) by all consumers increased by **18.1%** compared to January 2020.



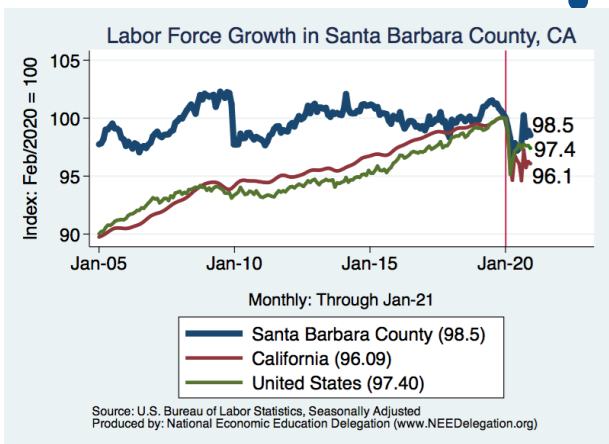
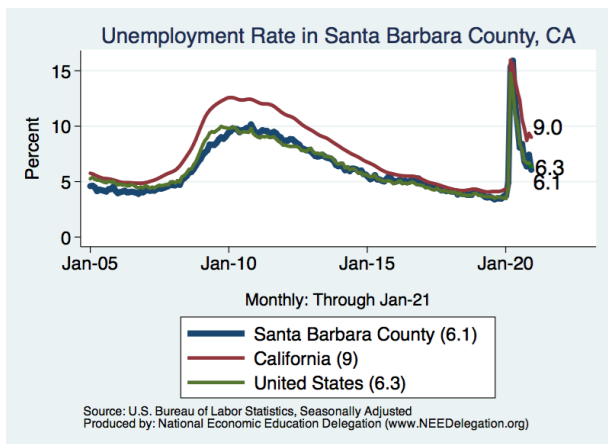


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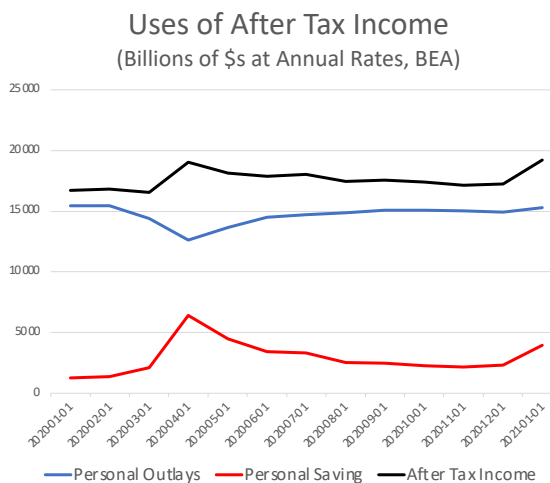
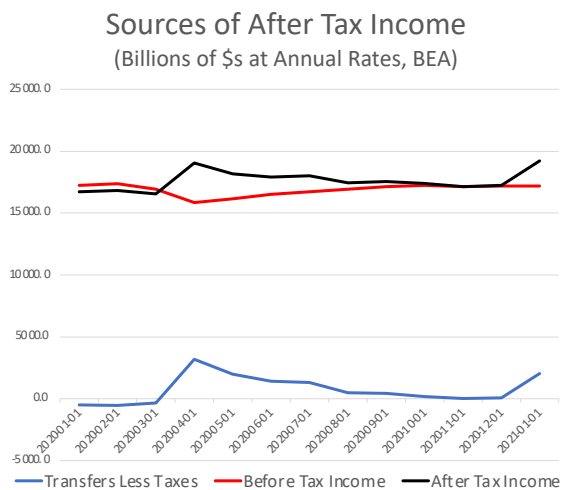


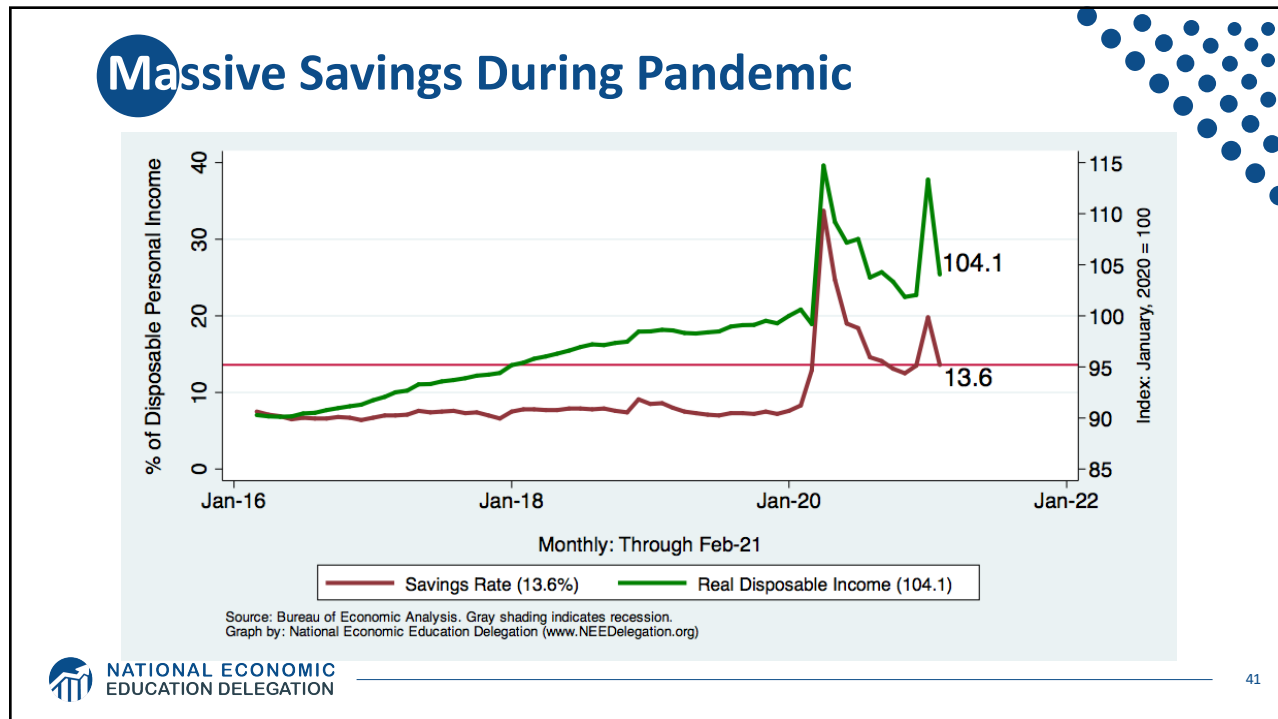
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# Unemployment and Labor Force Participation



# Consequence of Fiscal Stimulus So Far





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## Evidence of Damage: Corporate Bankruptcies?

- According to Edward Altman, leading expert on bankruptcy and professor emeritus at [NYU's Stern School of Business](#), there are liable to be 60 corporate failures with liabilities over \$1b Bloomberg, 7/15
- **Notable Bankruptcies 2020**
  - J.C. Penny, Hertz, Neiman Marcus, Lord and Taylor, Chesapeake Energy, Chuck E. Cheese, Brooks Brothers, Ann Taylor, Lane Bryant, et. al.
- **Many, Many Small firms just close their doors.**

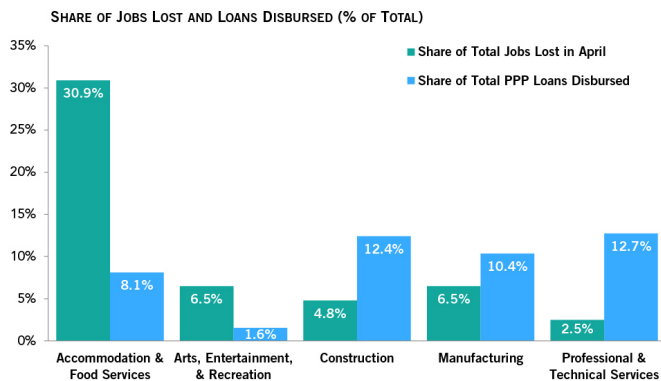
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# PPP, Not so Good: Didn't Go to the Right Firms



The distribution of PPP loans has not matched levels of unemployment



SOURCES: U.S. Small Business Services Administration, Paycheck Protection Program (PPP) Report, Approvals through 07/24/20, July 2020; and S&P Global Ratings, Economic Research: The Paycheck Protection Program Impact on Jobs: (More) Help Wanted, May 2020.  
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In addition, first round loans went disproportionately to predominantly white Congressional Districts  
*Bloomberg, 7/30*

Could a new PPP be better administered?



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