



# COVID-19: Economic Implications and Policy Response

Rotary Club of Sausalito  
June 10, 2021

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National Economic Education Delegation



## 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: 590+ 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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## Credits and Disclaimer

- **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).



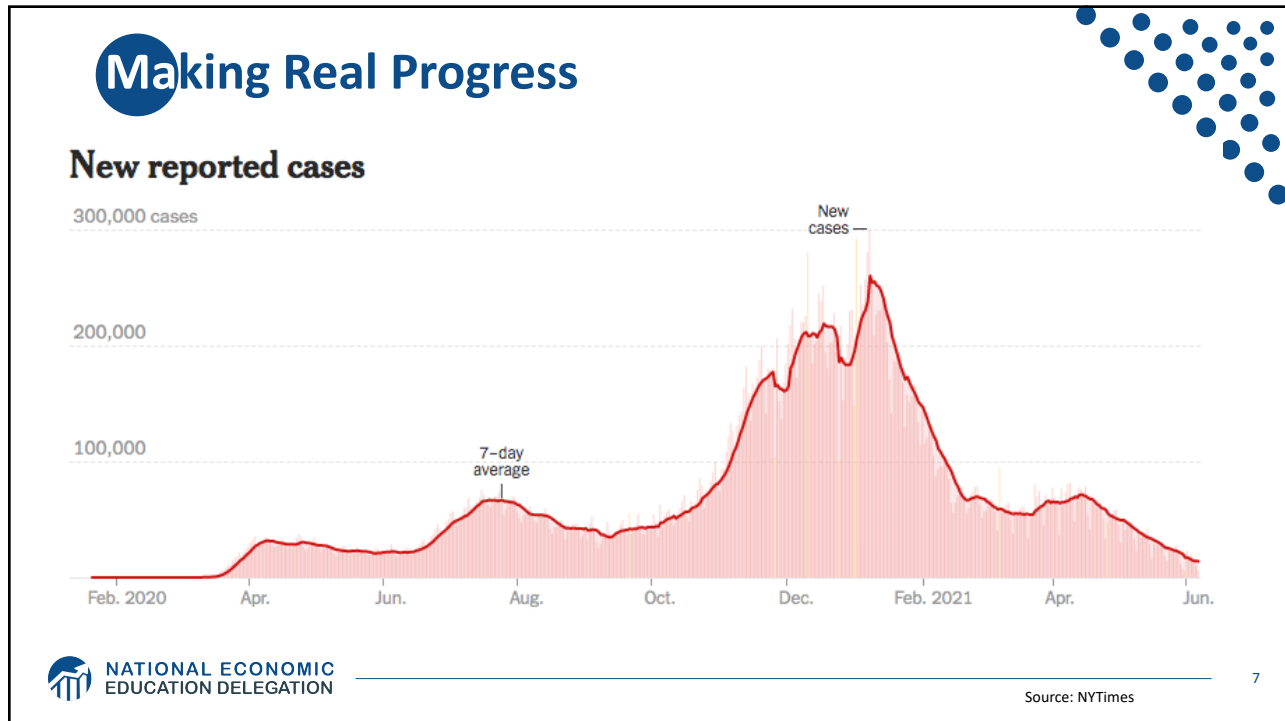
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## Outline

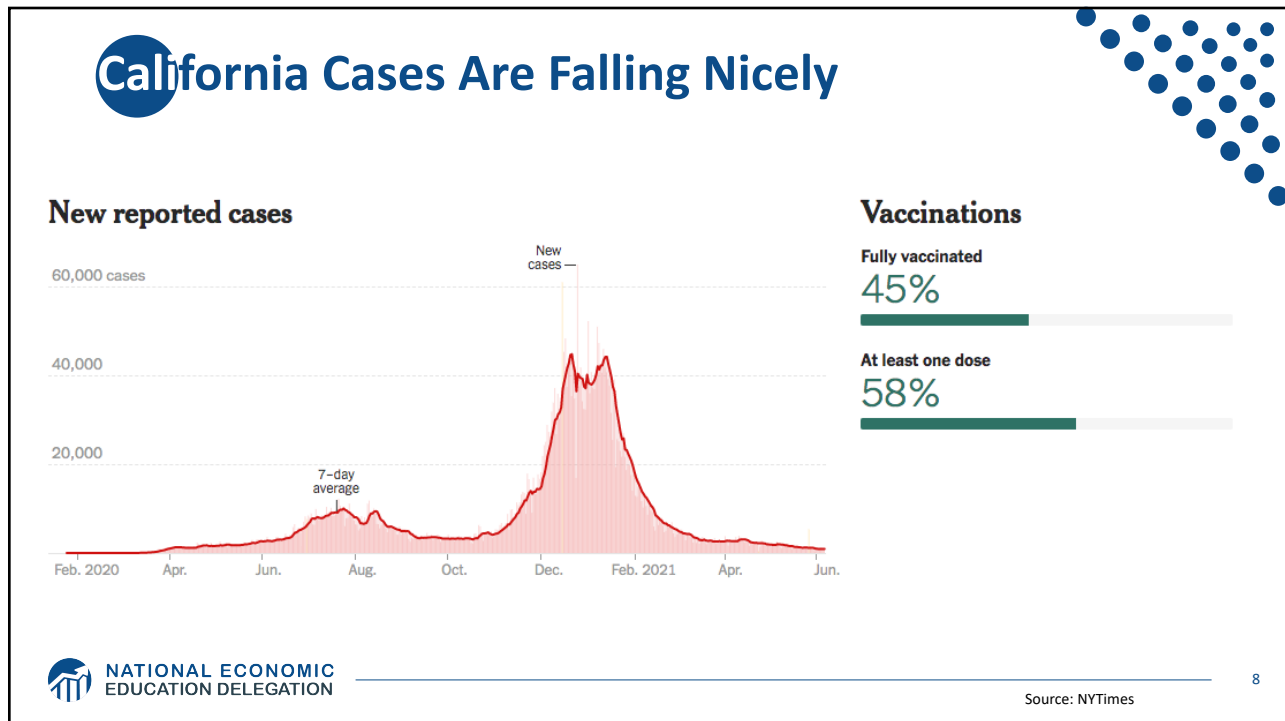
- **State of the Pandemic**
- **Evidence of Impact**
- **Government Policy**
- **What to expect going forward**



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# Evidence of Impact

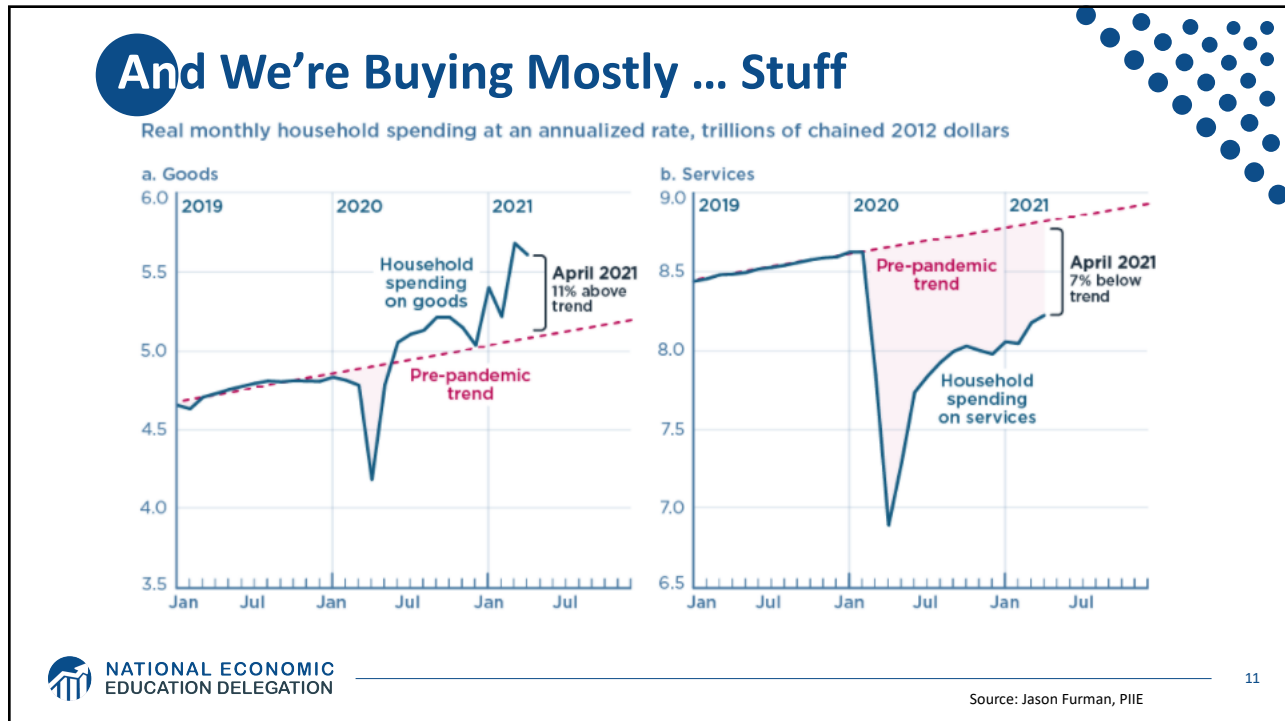
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## Spending Patterns Since First US Case

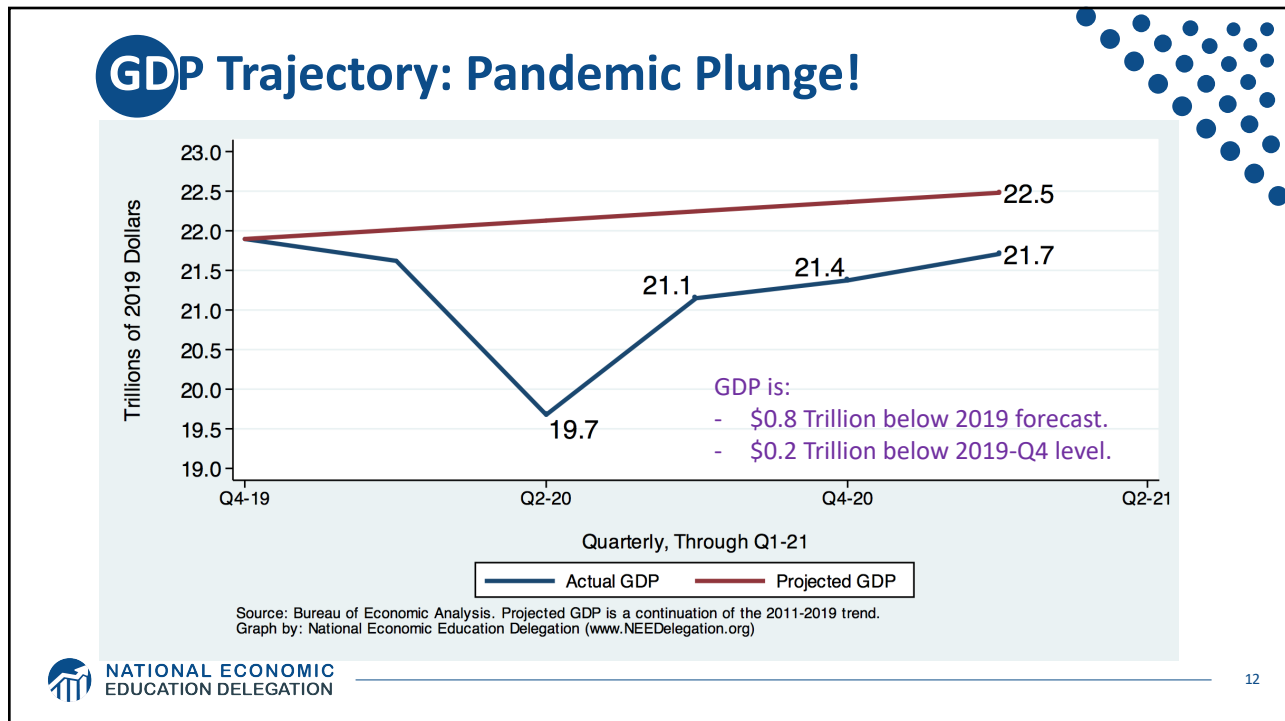
In the United States, as of May 16 2021, total spending by all consumers increased by **13.8%** compared to January 2020.



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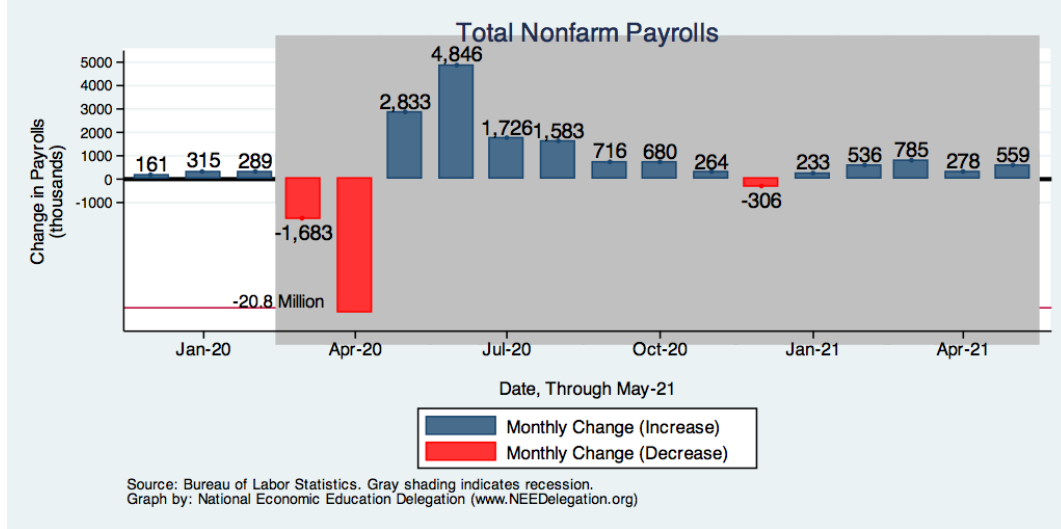


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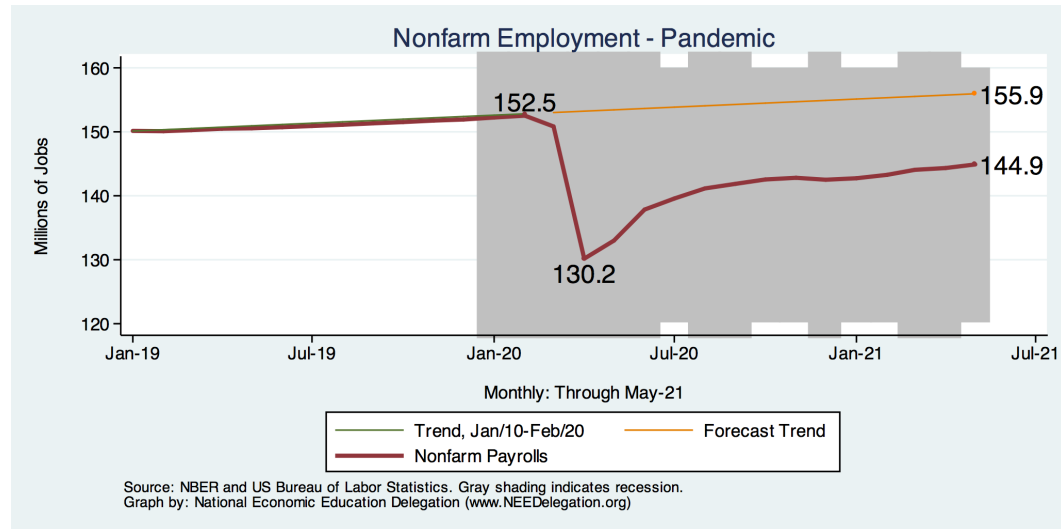
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# Monthly Changes in Nonfarm Employment



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# Employment Gap



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## Why Slow Employment Growth?

- **Economists had expected more than 1 million jobs in April.**
  - Why didn't we get them?
- **It is not: the generous unemployment checks.**
  - Low wage sectors were the only ones to see solid employment growth.
    - Leisure and hospitality: +328k (April) +292k (May)
    - Professional services: -81k (April) +35k (May)
  - Lack of wage growth.
- **It might be:**
  - Continued fear of the virus.
  - Microchip shortages.
  - Geographic mismatch and an unwillingness to relocate...yet.
  - Child care – lack of availability.
  - ???



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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 two packages: \$2.8 Trillion**

**Why?**



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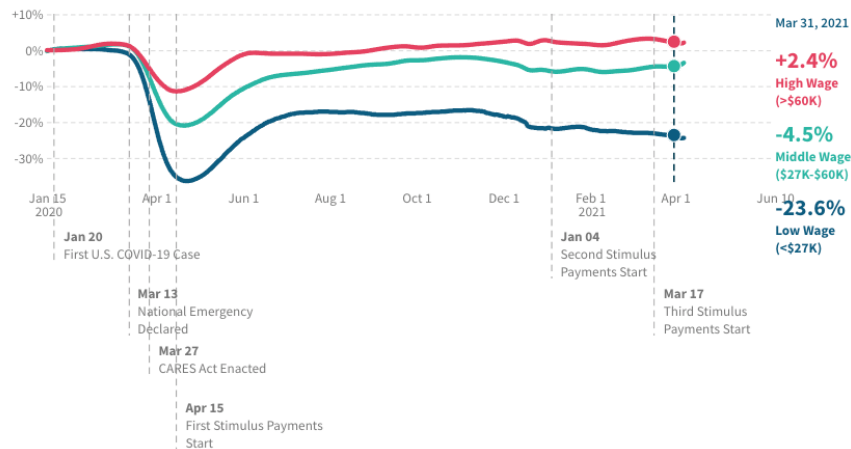
# Is it a V or a K shaped recovery?

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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# Low Wage Employment is Lagging

In the United States, as of March 31, 2021, employment rates among workers in the bottom wage quartile decreased by 23.6% compared to January 2020 (not seasonally adjusted).



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## Balancing Act

### • Too Big (Larry Summers)

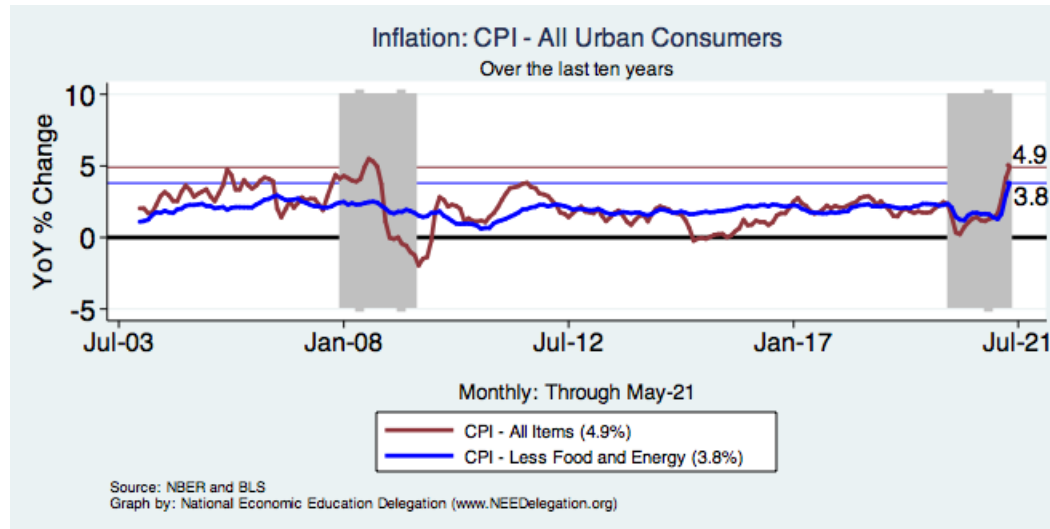
1. There already is about \$1.5 trillion in personal saving waiting to be spent.
2. Needlessly adding to our debt and deficit problems.
3. Reignite **inflation**.
4. Less "fiscal space" - room for needed public infrastructure investment.

### • Too Small (Paul Krugman)

1. Double Dip.
2. You only get one bite at the apple.
3. Prolonged economic scarring.
4. People in true need are left out.



## Inflation – Recent Stability



## 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



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## Why so Excited About Telecommuting?

- **Productivity at home appears to be really high during pandemic.**
  - Nothing else to do.
  - Short term – corporate culture and new hires – visibility to the boss – camaraderie.
- **CEOs are salivating over reduced Comm RE costs.**



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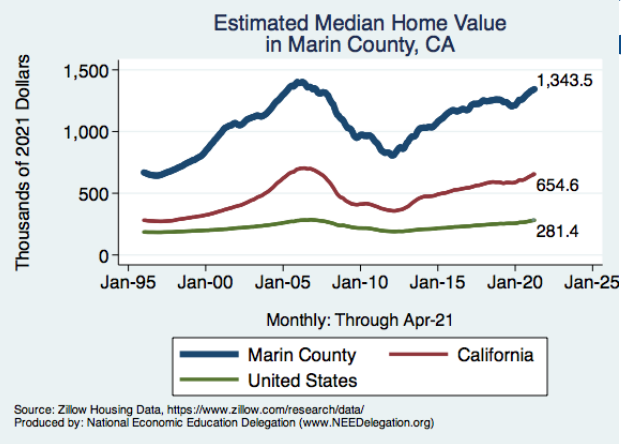
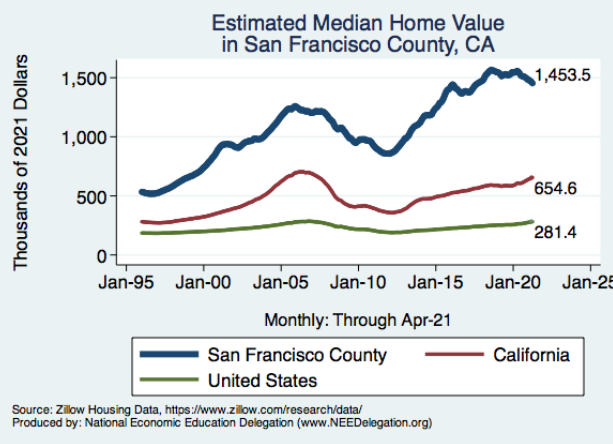
## Telecommuting – Will it Stick?

- **Working from home is ALWAYS less productive than working in the office.**
  - But the gap has shrunk because of technology.
- **In the interest of workplace productivity, employers are likely to allow more working from home.**
  - Increased in-office moral and hence productivity.
  - But not 100% or even 50%. How much?
- **Has important implications for real estate.**



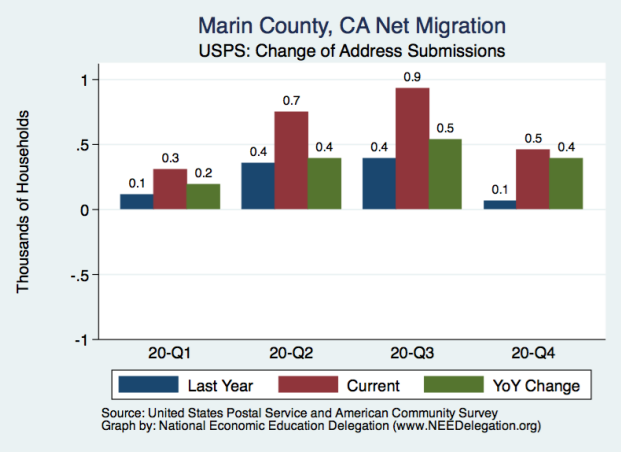
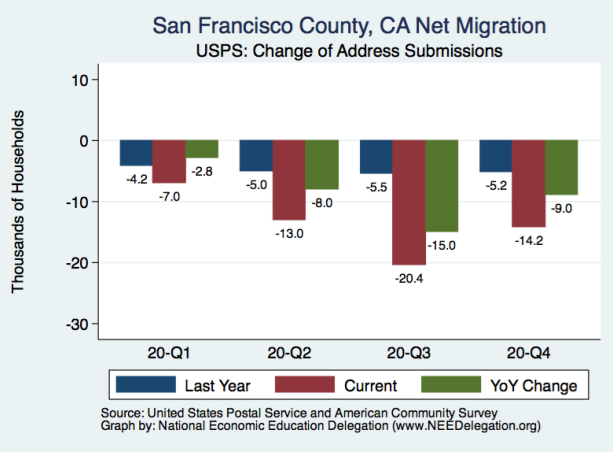
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# RE Experiences Differ!



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# Population Change: San Francisco & San Mateo



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

For every state and county in the United States.

Detailed graphs on employment, housing, moves, and other statistics.



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## Primary Topics Covered

- **GDP**
  - Recovered MOST of the decline.
  - Won't recover previous forecast until late 2022.
- **Employment**
  - Still down 11 million jobs relative to forecast. (\$7.5 million relative to Feb/20).
- **Inflation**
  - Going to be high for a little while, but transitory.
- **Telecommuting**
  - Going to be high for a little while, but transitory.



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## Conclusion

- **COVID-19 is health crisis that has macroeconomic implications.**
  - With enormous built-in inequities.
- **Significant structural changes – accelerant.**
- **GDP will likely expand between 4.0 and 5.0 percent this year.**
- **Policy gap created enormous hardship.**
  - Hunger, evictions, foreclosures, additional deaths.
  - Loss of GDP: 4-5%                      Unemployment: up 4-5 pts.
- **Physical health determines economic health for the economy.**
  - Well on our way to recovery, both health and economic.



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## Thank you!

## Any Questions?

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