



COVID-19: Economic Implications and Policy Response

Walnut Creek Rotary Club, CA

April 27, 2021
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Executive Director, NEED



1

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.

2

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: 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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3

3

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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4

4

Credits and Disclaimer

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

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- Brian Dombeck, Lewis & Clark College
- Doris Geide-Stevenson, Weber State University

- **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).



5

Outline

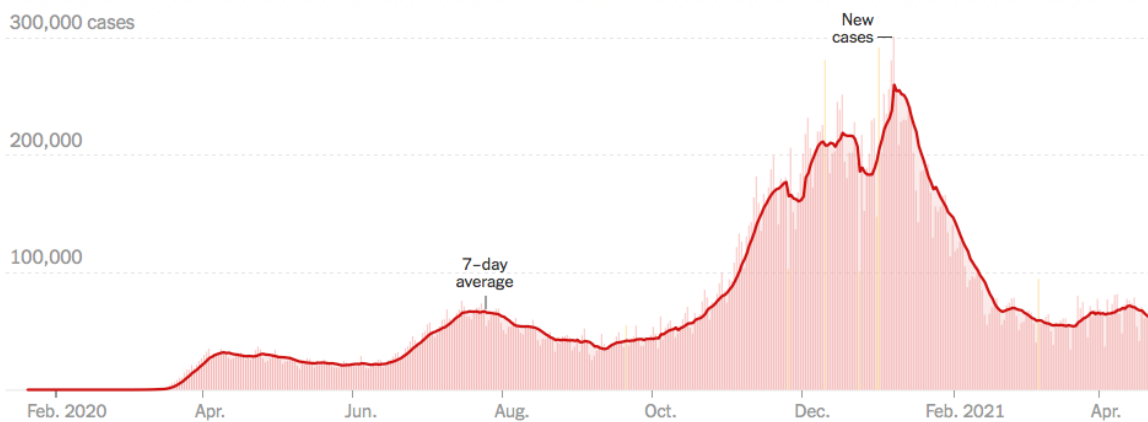
- **State of the pandemic**
- **Where is the recovery now?**
- **How has policy affected the recovery?**
- **The most recent COVID package**



6

Concern: Getting it Right This Time?

New reported cases



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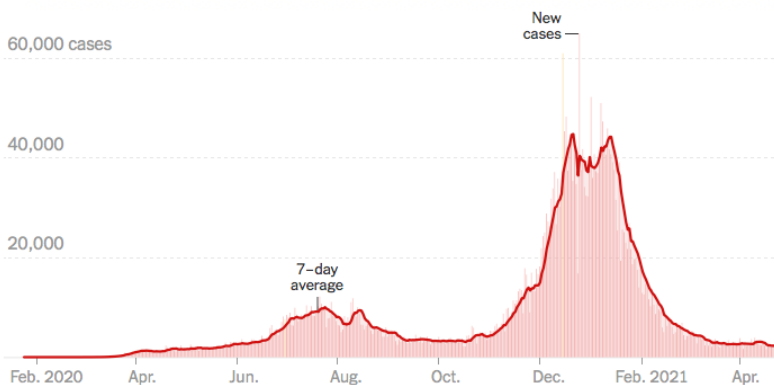
Source: NYTimes

7

7

California Cases Have Been Falling Rapidly

New reported cases



Vaccinations

Fully vaccinated

28%

At least one dose

47%

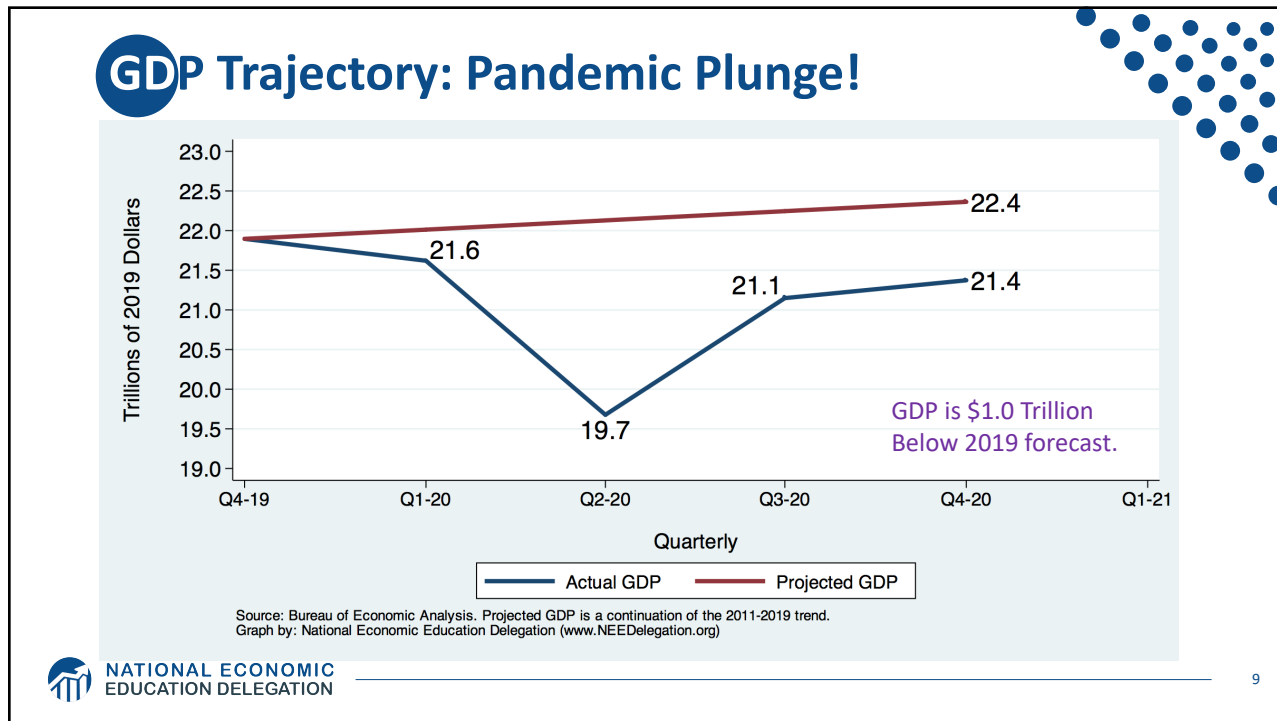


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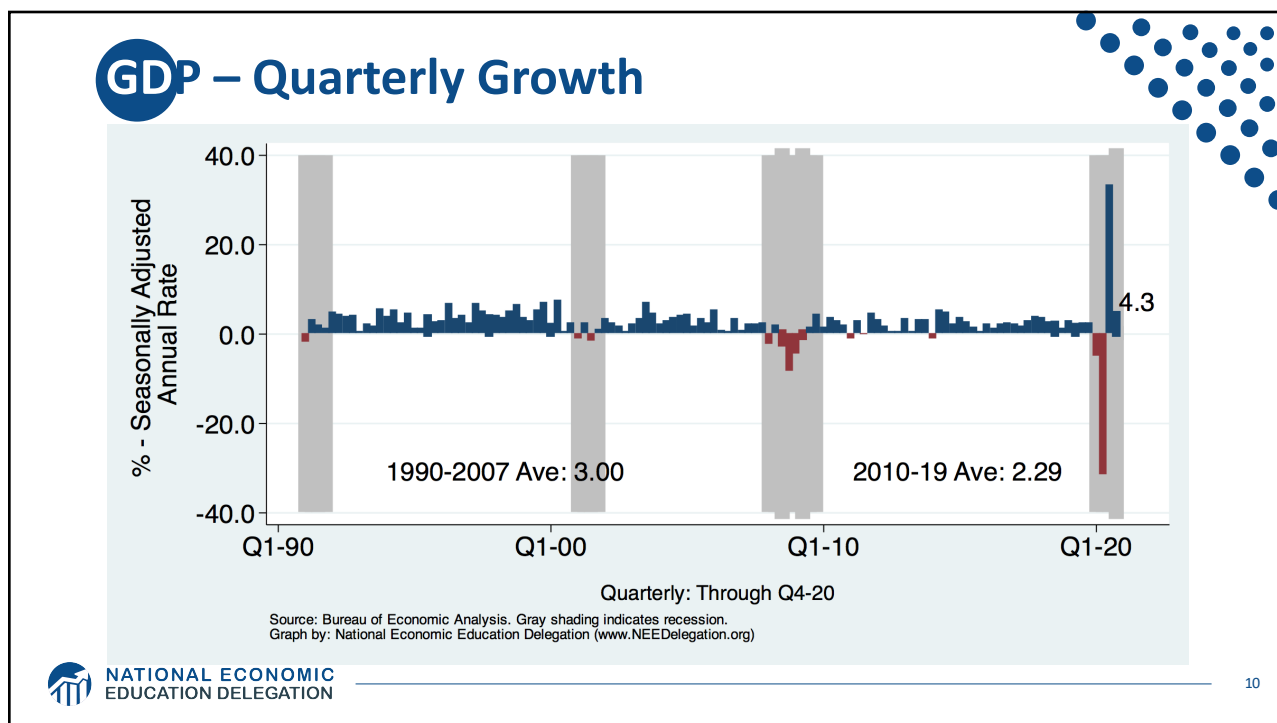
Source: NYTimes

8

8



9



10

Philadelphia Federal Reserve

Real GDP (%)

	Previous	New
Quarterly		
2021:Q1	3.2	3.2
2021:Q2	3.5	5.0
2021:Q3	3.5	5.3
2021:Q4	3.3	4.0
2022:Q1	N.A.	3.7
Annual data (projections based on)		
2021	4.0	4.5
2022	3.0	3.7
2023	2.1	3.1
2024	N.A.	2.5

- **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

11

Spending Patterns Since First US Case

In the United States, as of April 04 2021, total spending by all consumers increased by **10%** compared to January 2020.

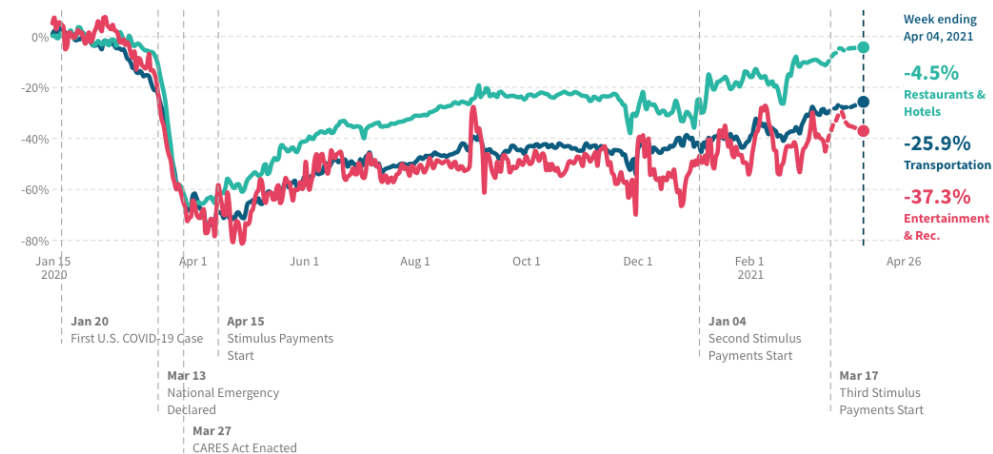
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Source: <https://tracktherecovery.org/>

12

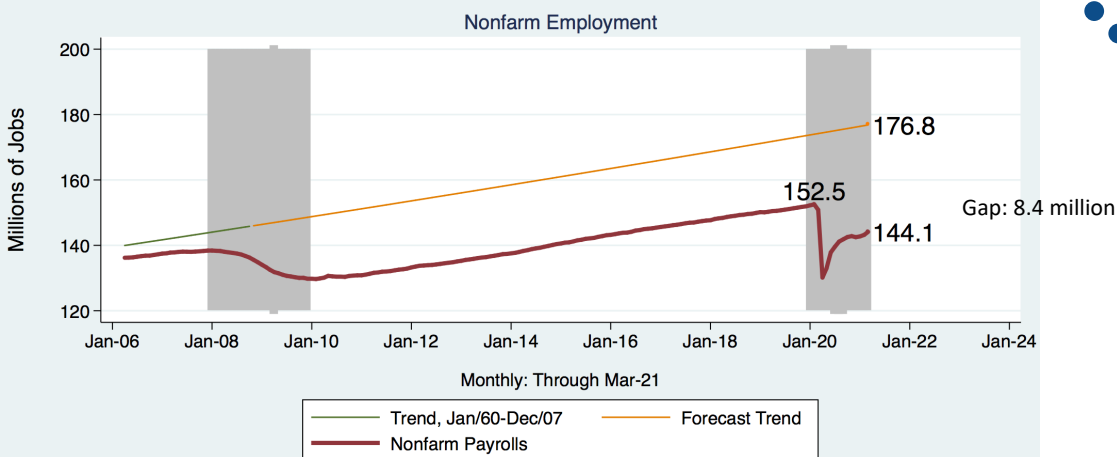
Spending Patterns – Hardest Hit Sectors

In the United States, as of April 04 2021, transportation spending by all consumers decreased by 25.9% compared to January 2020.



13

Employment Gap



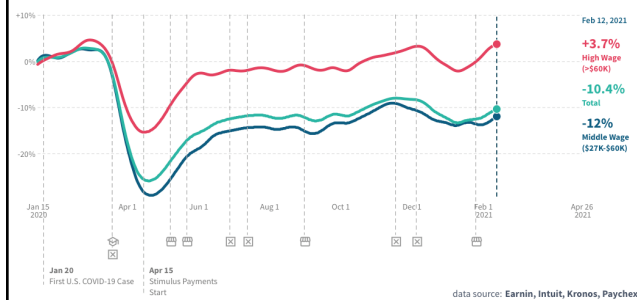
Source: NBER and US Bureau of Labor Statistics. Gray shading indicates recession. Graph by: National Economic Education Delegation (www.NEEDelegation.org)

14

Conditions Closer to Home

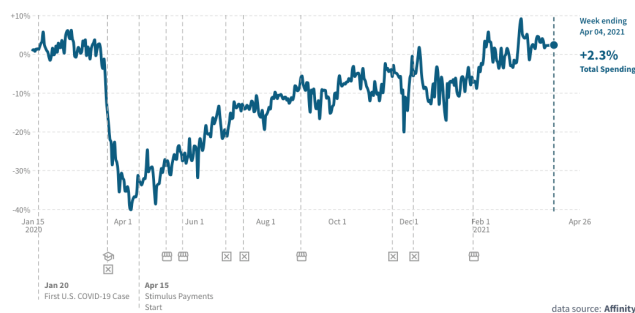
Employment in Contra Costa County

In **Contra Costa**, as of February 12, 2021, employment rates among workers in the middle wage quartiles decreased by **12%** compared to January 2020 (not seasonally adjusted).



Consumer Spending in Contra Costa County

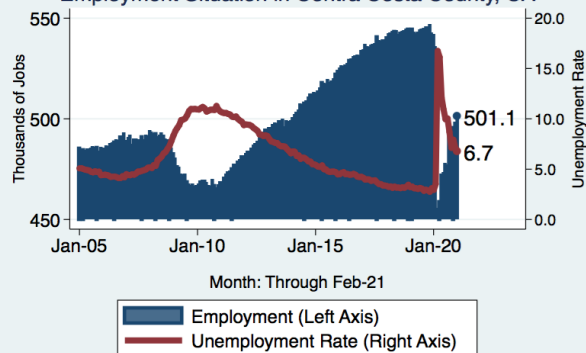
In **Contra Costa**, as of April 04, 2021, total spending by all consumers increased by **2.3%** compared to January 2020.



15

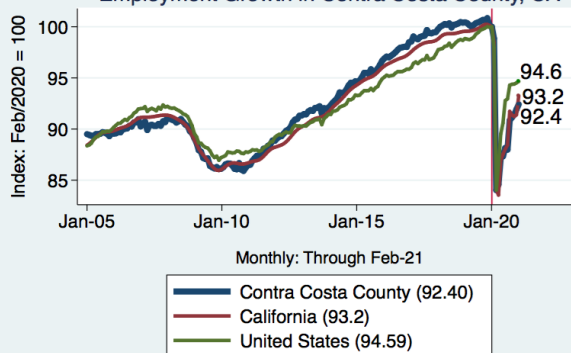
Employment Situation: Contra Costa County

Employment Situation in Contra Costa County, CA



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

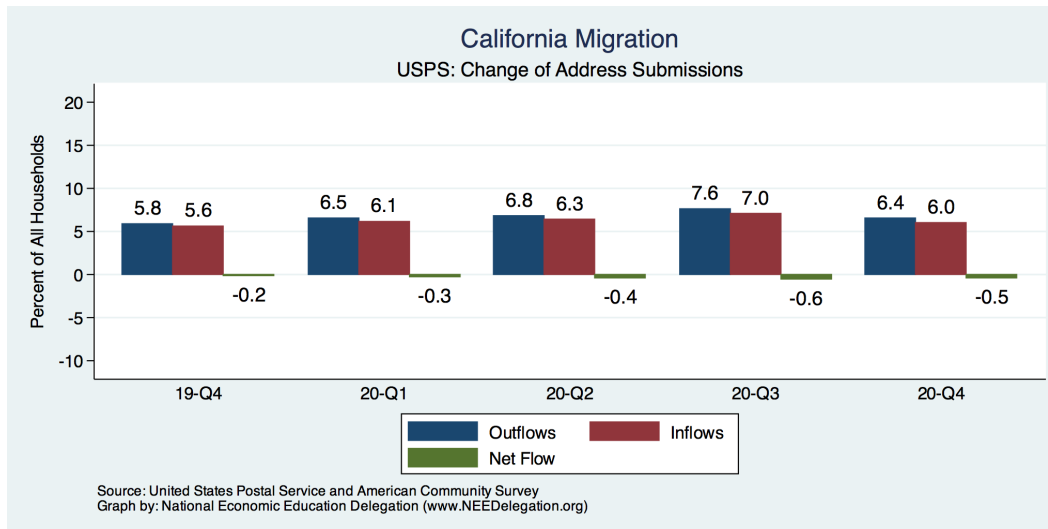
Employment Growth in Contra Costa County, CA



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

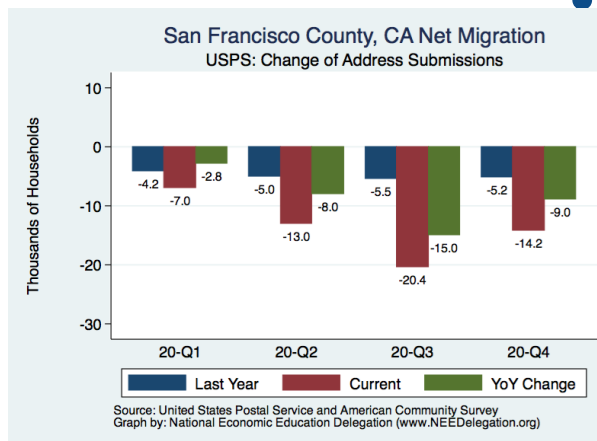
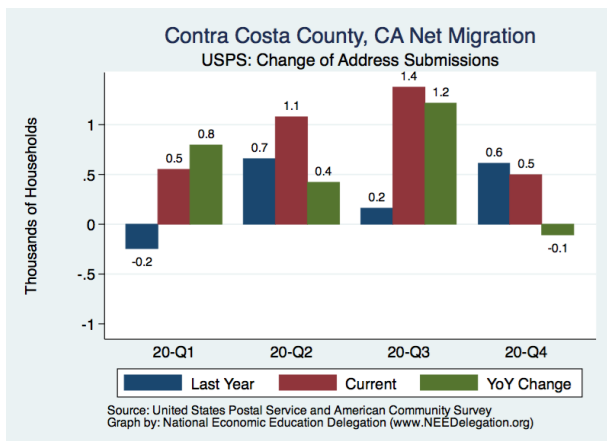
16

Population Change: California



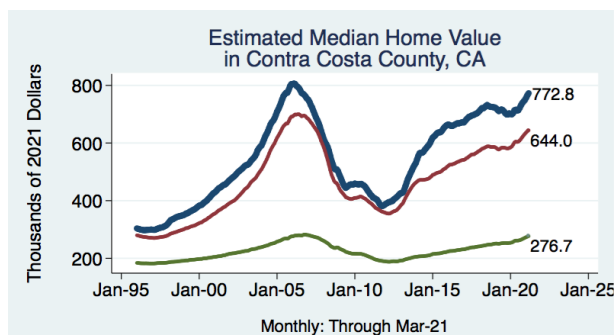
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Population Change: Contra Costa & SF

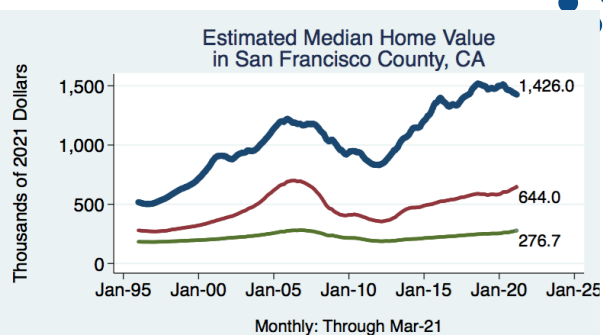


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Another Gauge: Real Estate



Source: Zillow Housing Data, <https://www.zillow.com/research/data/>
Produced by: National Economic Education Delegation (www.NEEDelegation.org)



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19

19

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

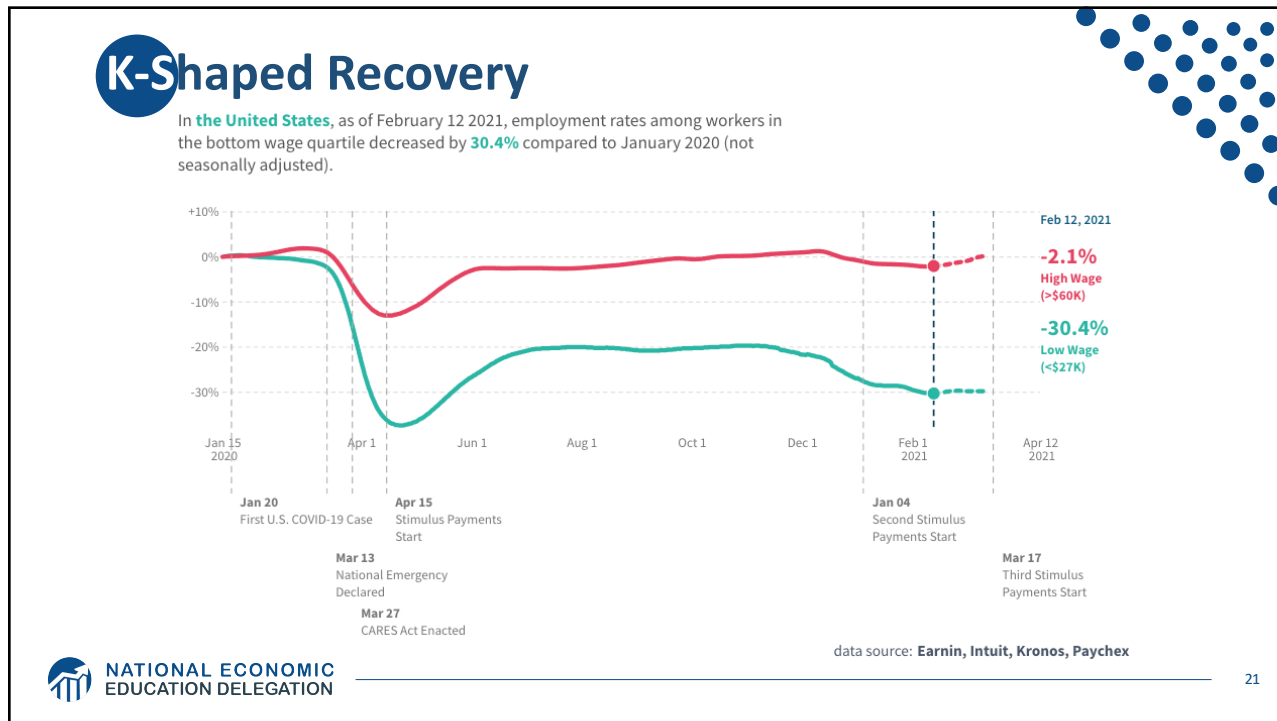
Why?



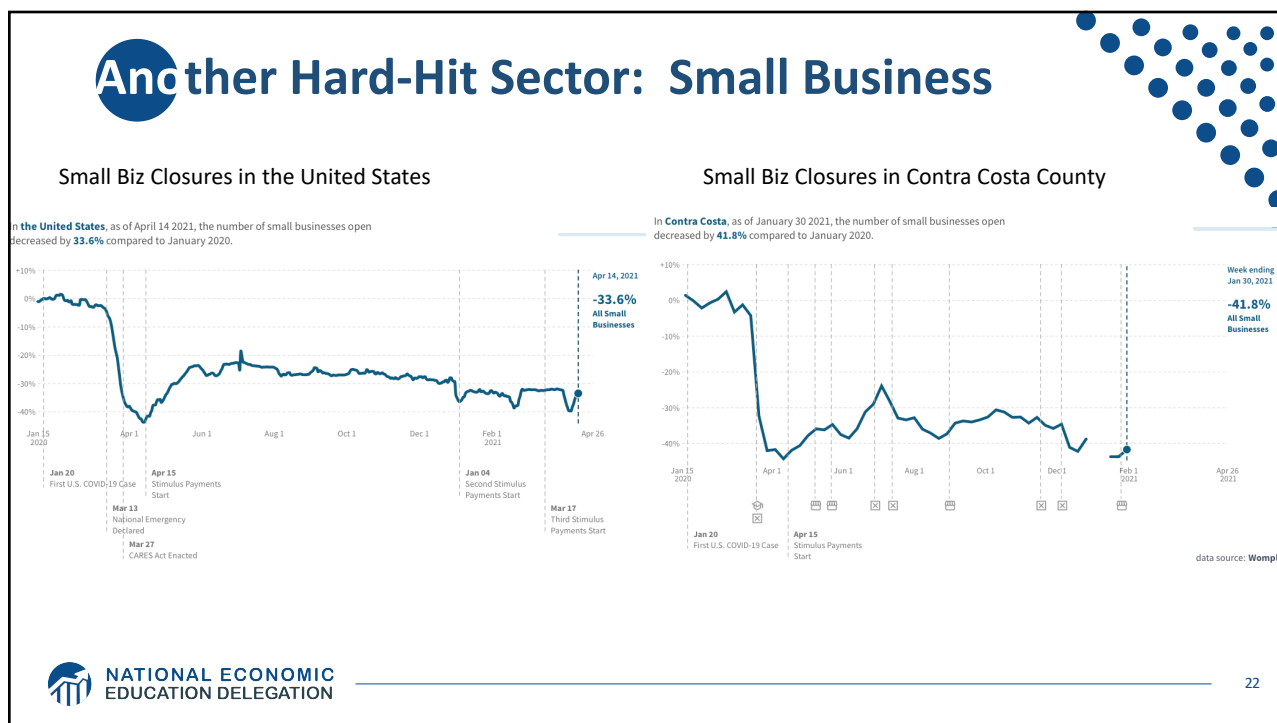
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20

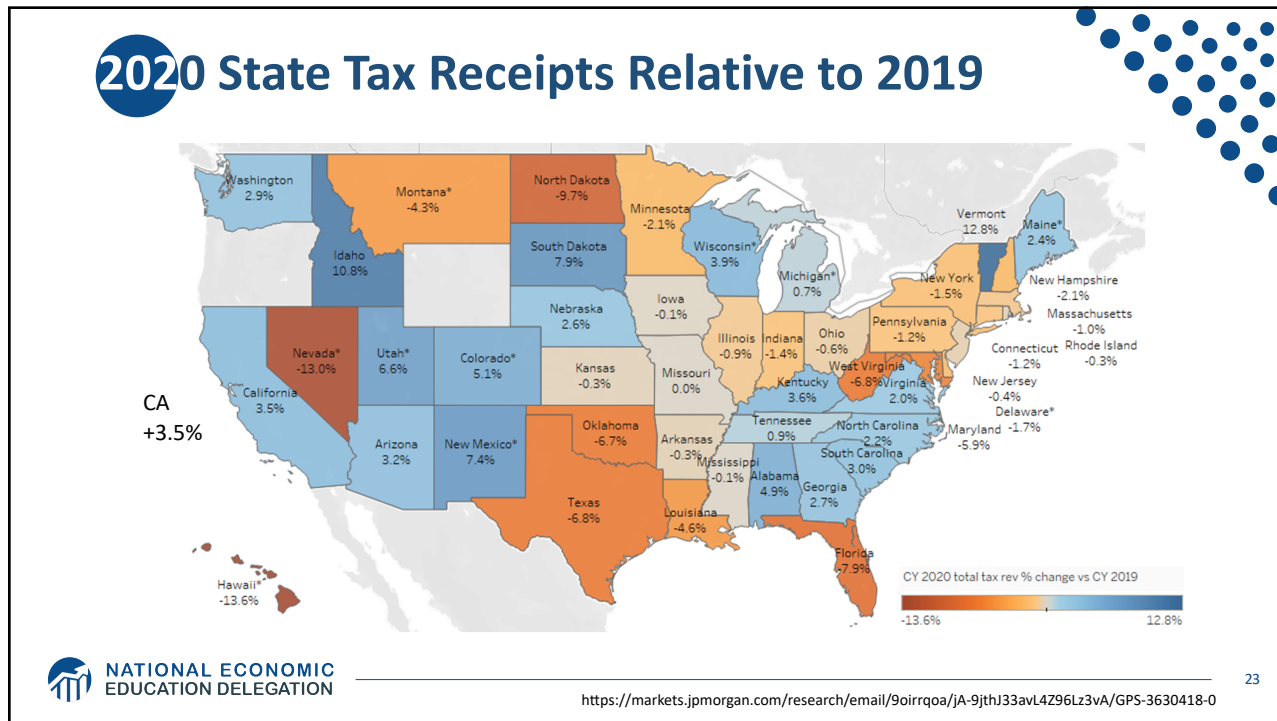
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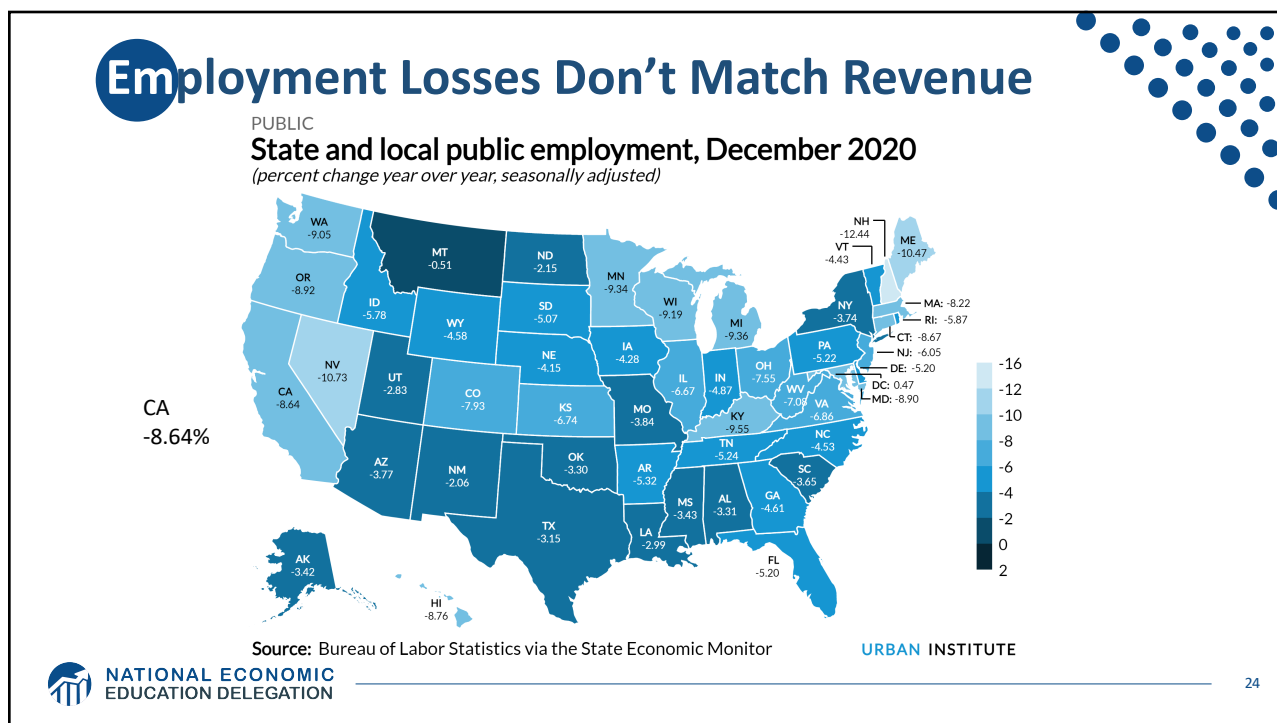
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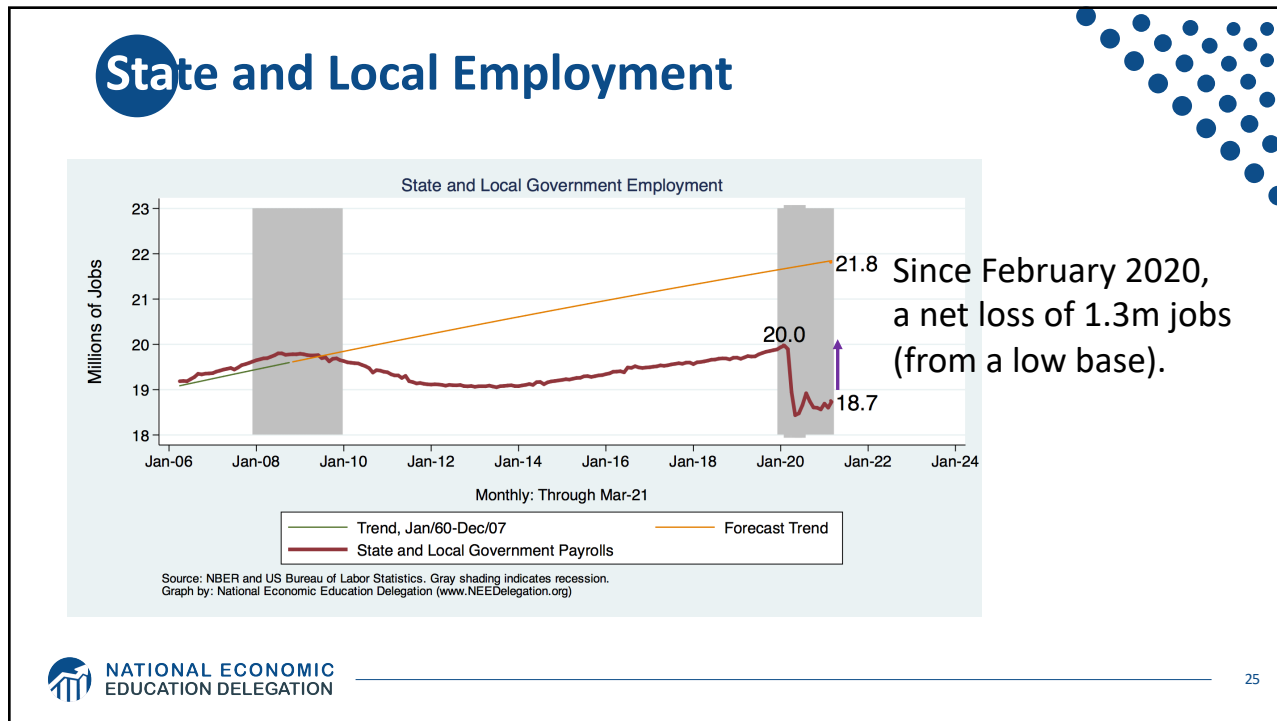
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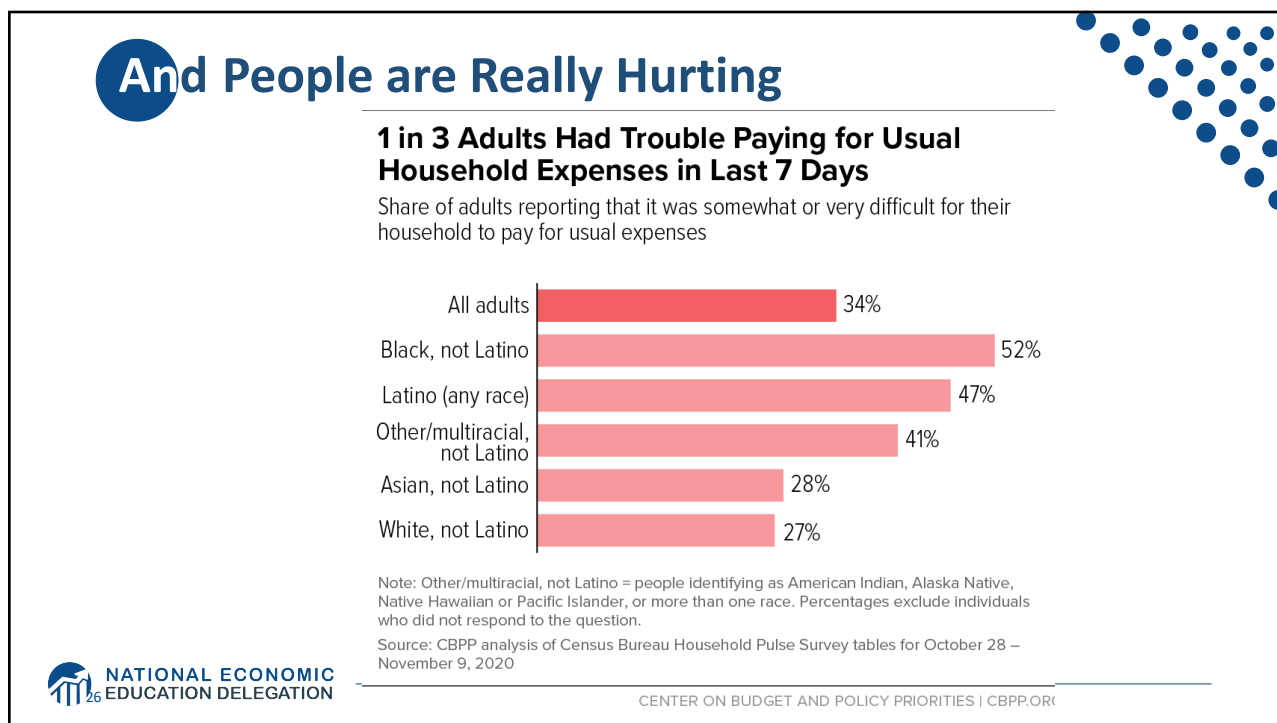
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24



25

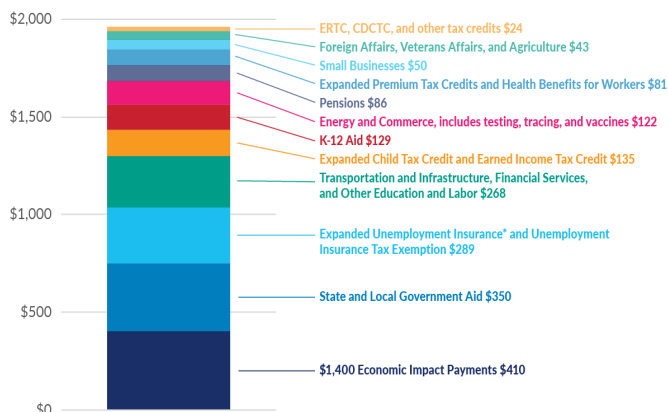


26

So, The President Went Big!

What's in the \$1.9 Trillion American Rescue Plan Act?

Topline summary of relief in Billions of Dollars



Note: *Subject to change pending estimate of Senate version of unemployment insurance expansion.
Source: Joint Committee on Taxation and Committee for a Responsible Federal Budget



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TAX FOUNDATION

@TaxFoundation

27

27

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)

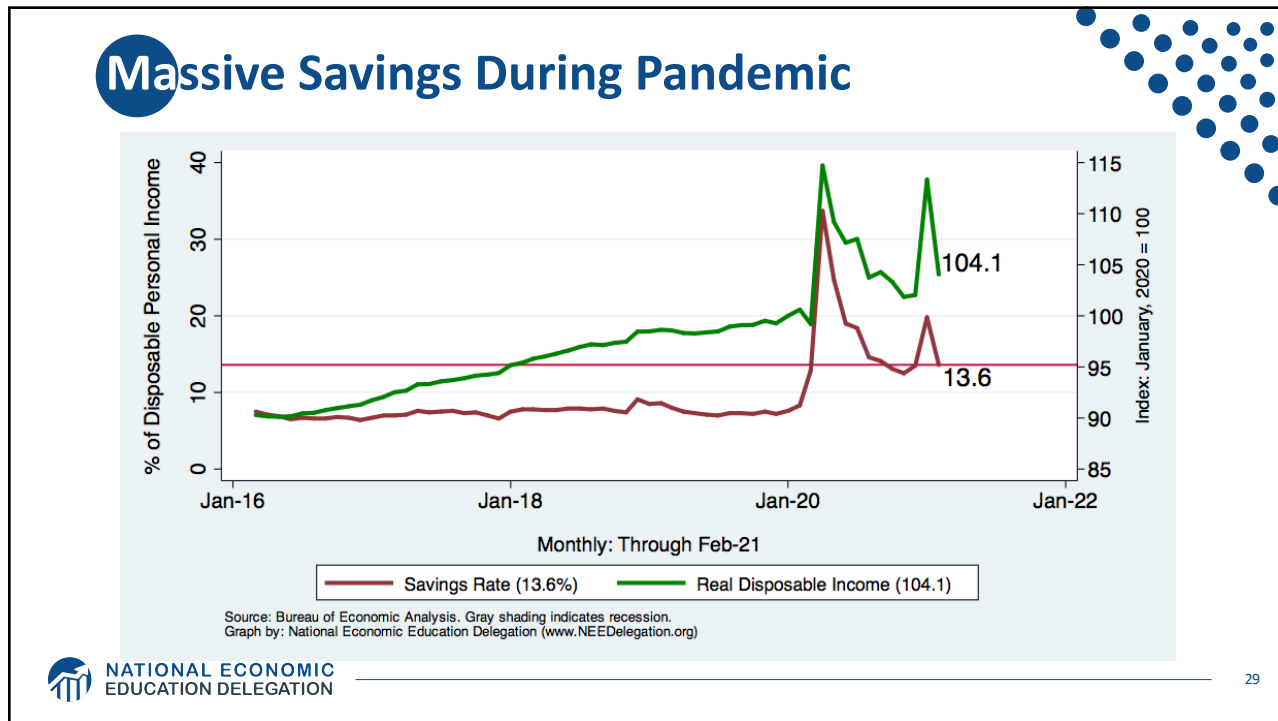
1. Double Dip.
2. Your only get one bite at the apple.
3. Prolonged economic scarring.
4. People in true need are left out.



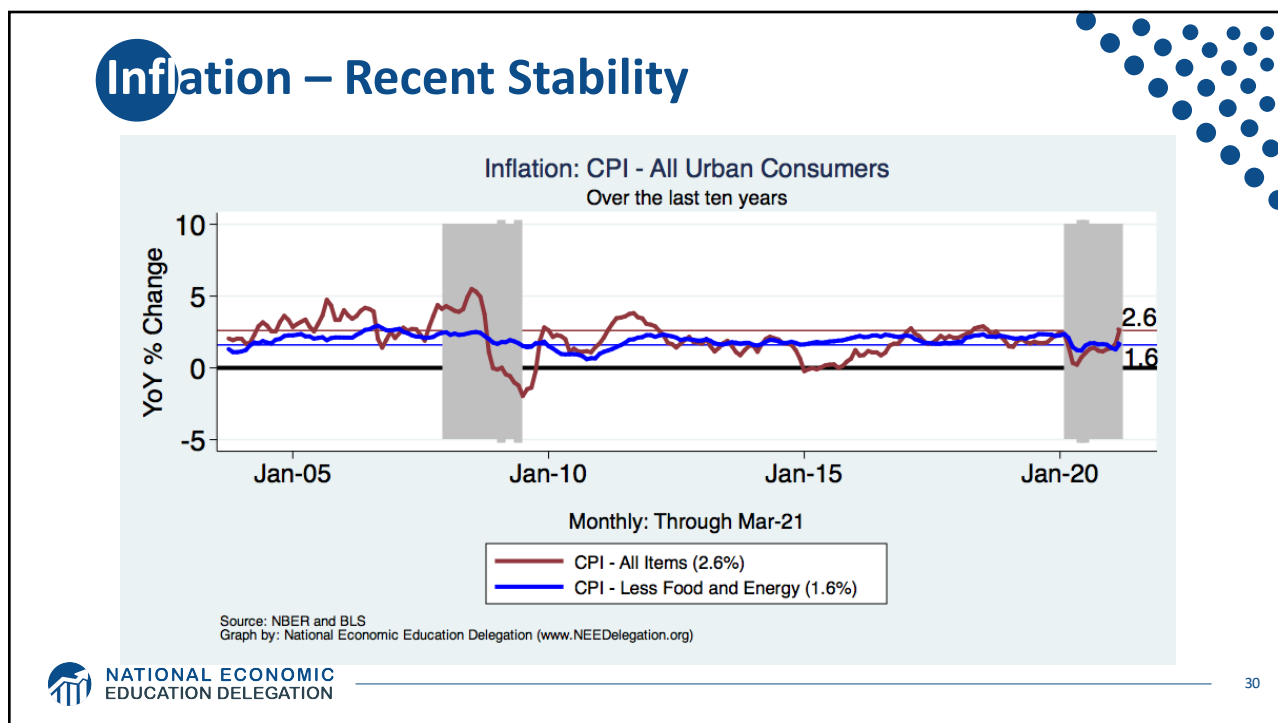
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28

28



29

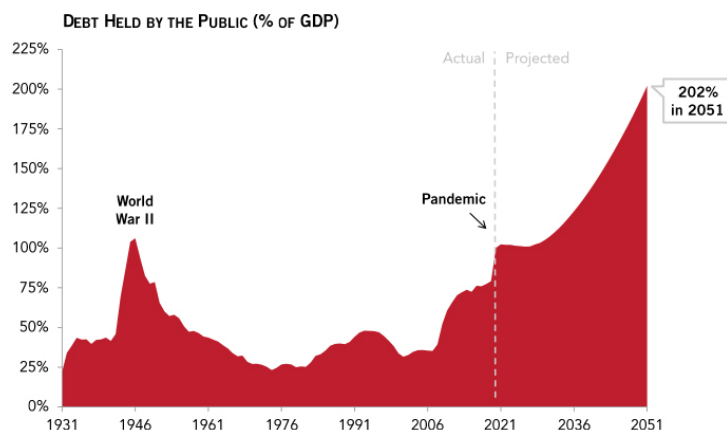


30

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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31

31

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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32

32

Structural Changes?

- **Pandemic has been an accelerant.**
 - Not a change agent.

- **Retail**
- **Telecommuting**
- **Telehealth**
- **Business travel?**

- **Wealth concentration**
- **Industry concentration**
- **Automation**



33

Joe's Priorities (Actual and Recommended)

- ✓ • **First, priority is to control the pandemic.**
- ✓ • **Second priority is to protect the vulnerable.**
 - Targeted spending to **rescue**:
 - Poor Households.
 - State and Local governments (maybe not \$350b).
 - Small Firms (e.g., restaurants).
- **Third priority is stimulus (and climate change).**
 - 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.
- **First through fifth: Always listen to Janet Yellen.**



34

Thank you!

Any Questions?

www.NEEDelegation.org

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Jon@NEEDelegation.org

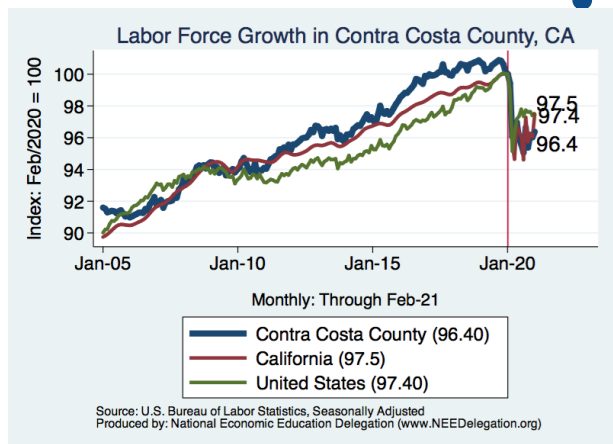
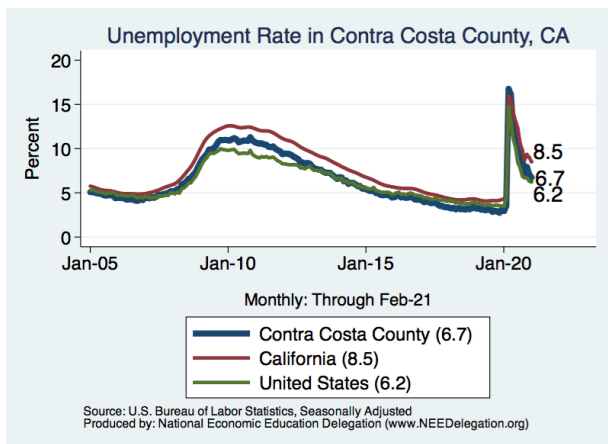
Contact NEED: info@needelegation.org

Submit a testimonial: www.NEEDelegation.org/testimonials.php

Become a Friend of NEED: www.NEEDelegation.org/friend.php



Unemployment and Labor Force Participation



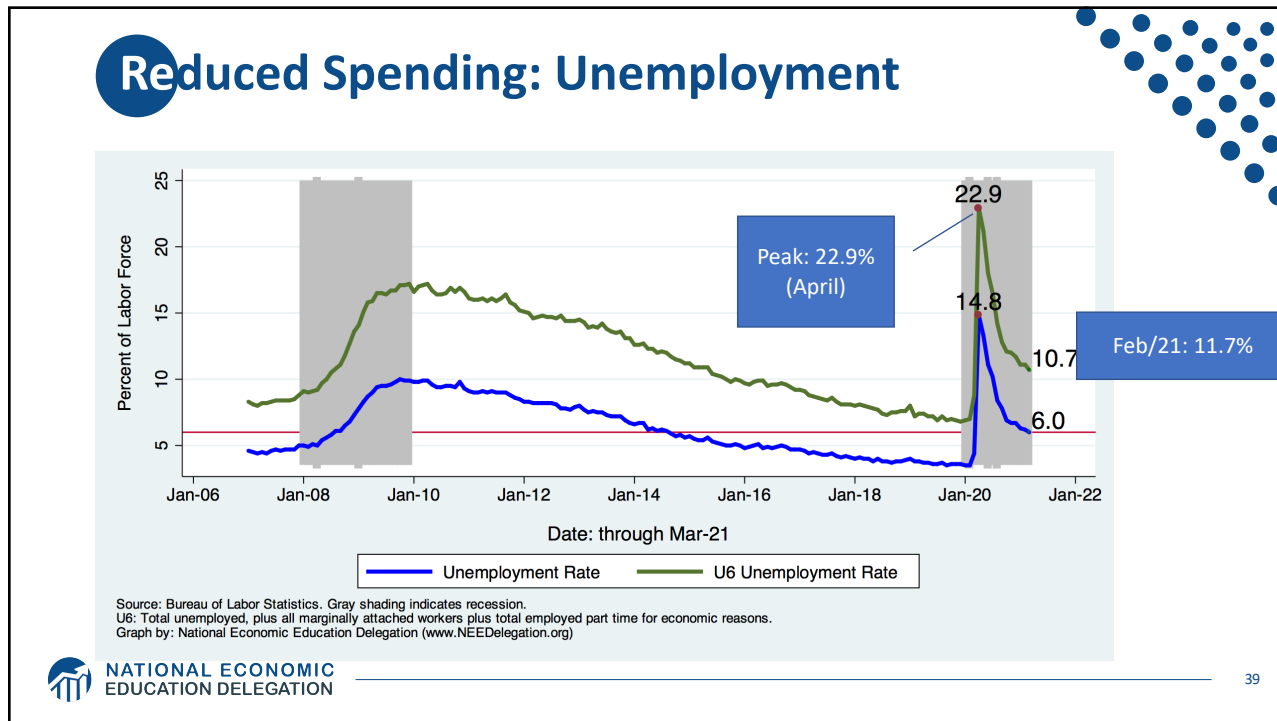
More Contra Costa County Graphs Here:

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

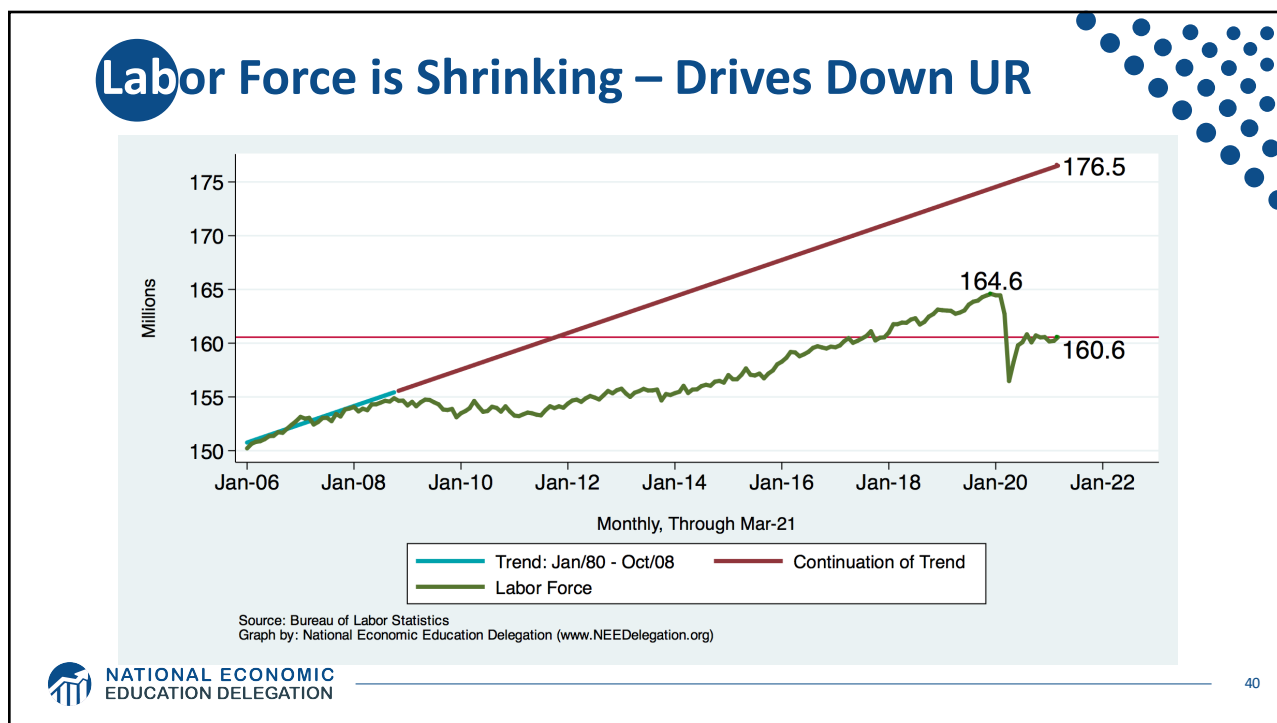
Spending Patterns – Sectors Doing OK

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.





39



40