



# US Economy and Coronavirus Economics

COO Forum

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National Economic Education Delegation



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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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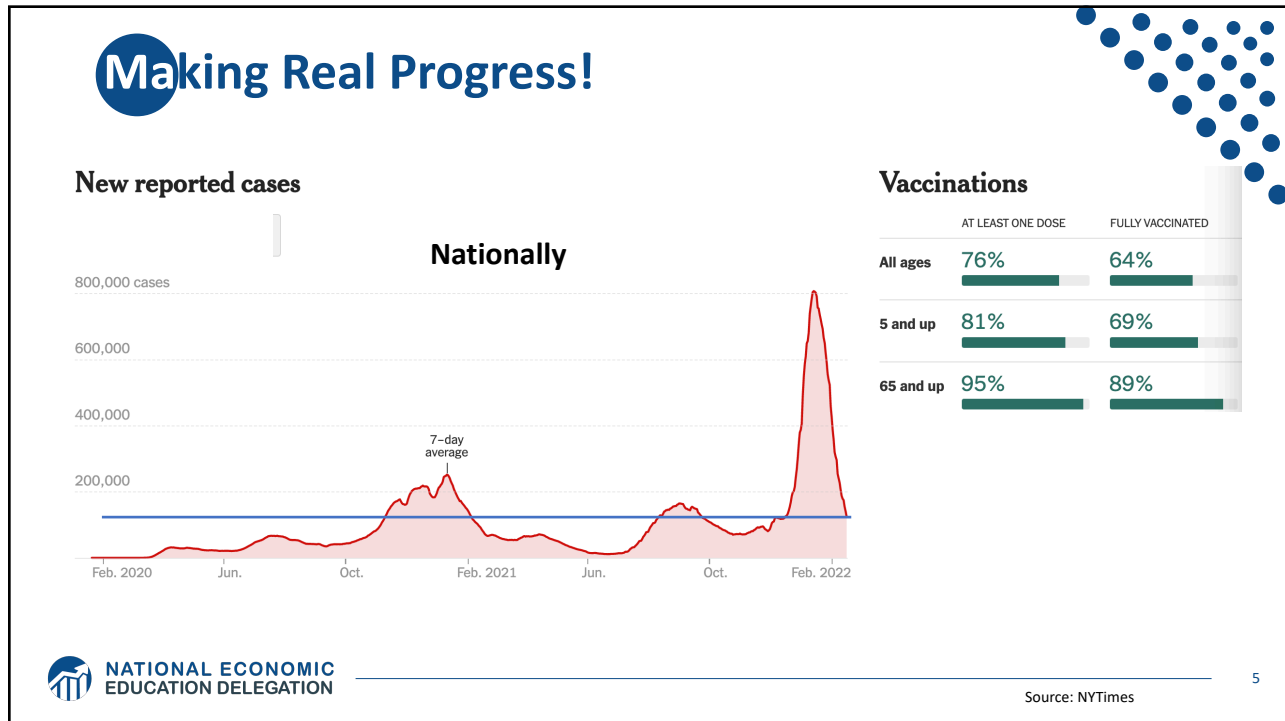
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## Outline

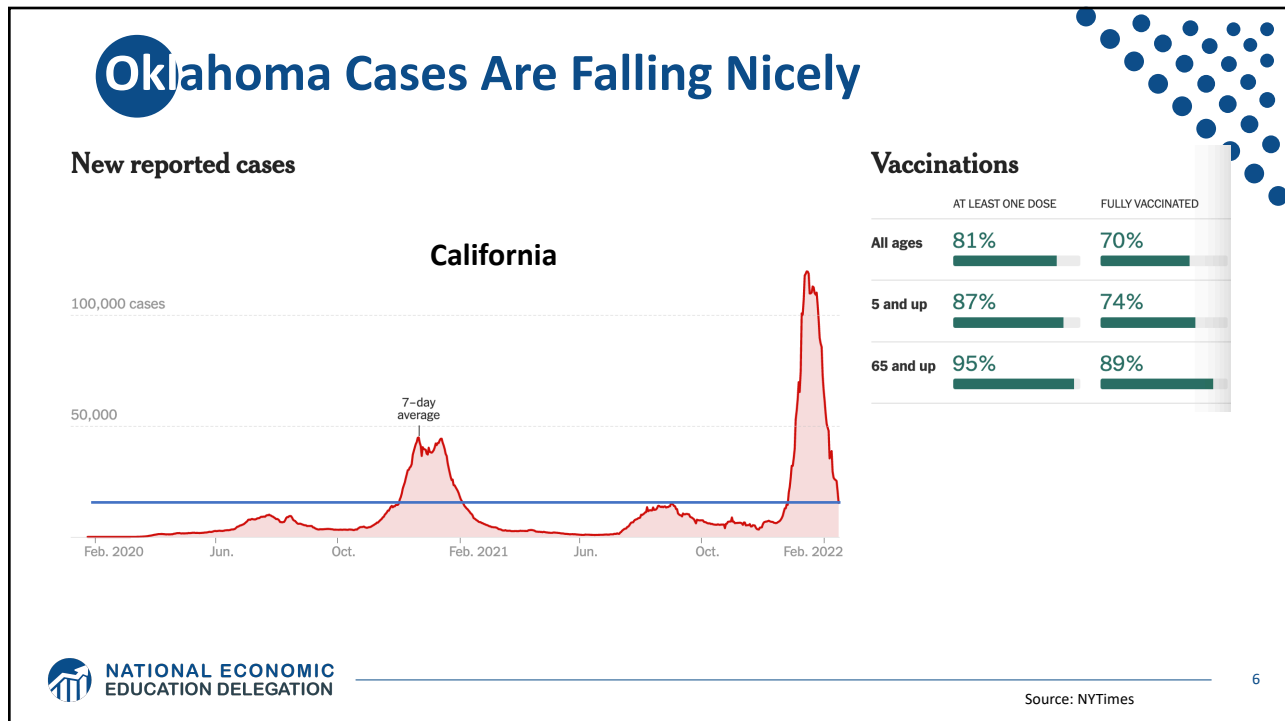
- **State of the pandemic**
- **The U.S. Economy**
- **Hot Topics**
  - Government policy
  - Inflation
  - Great resignation



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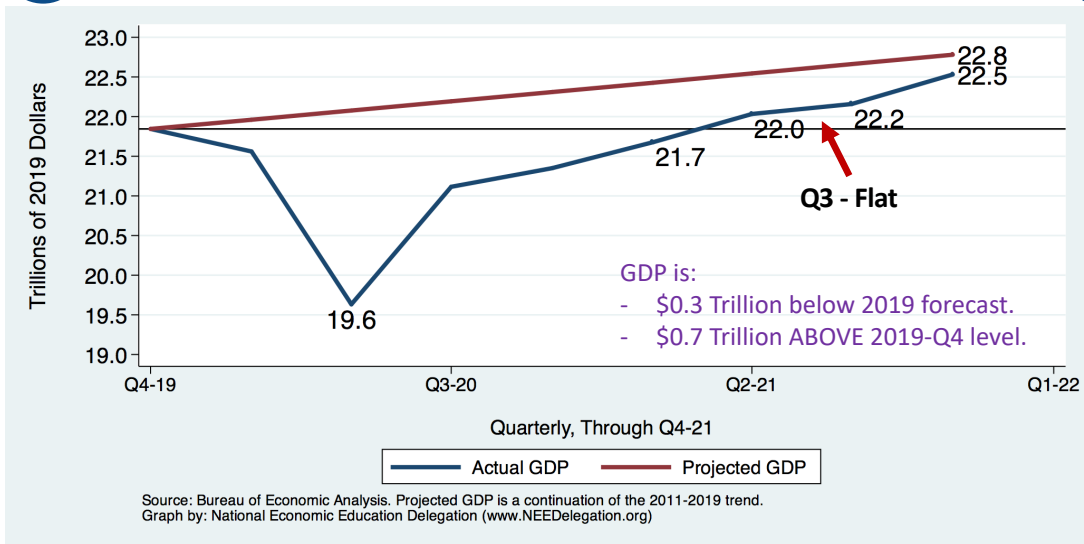


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# The U.S. Economy

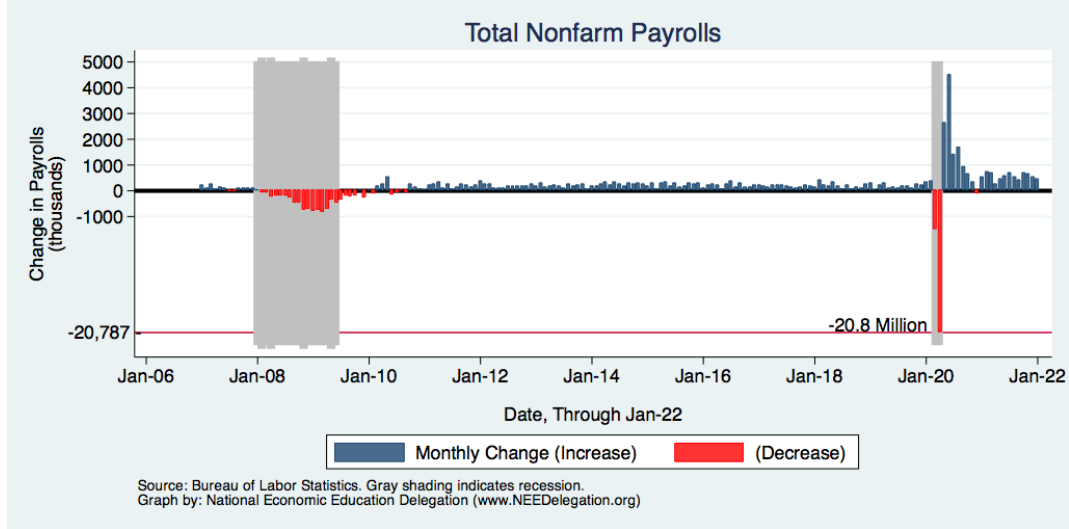
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## GDP Trajectory: Pandemic Plunge!



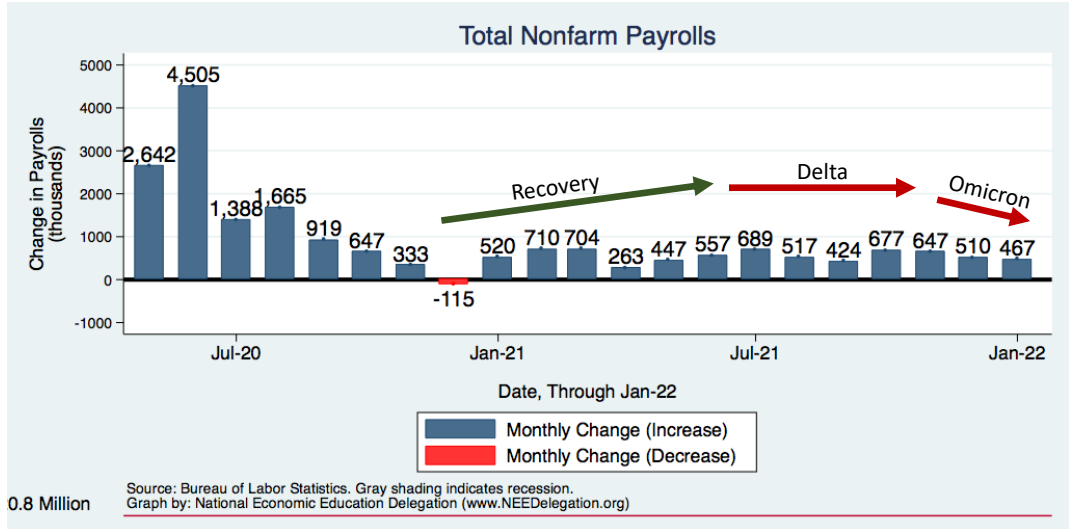
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# Monthly Changes in Nonfarm Employment



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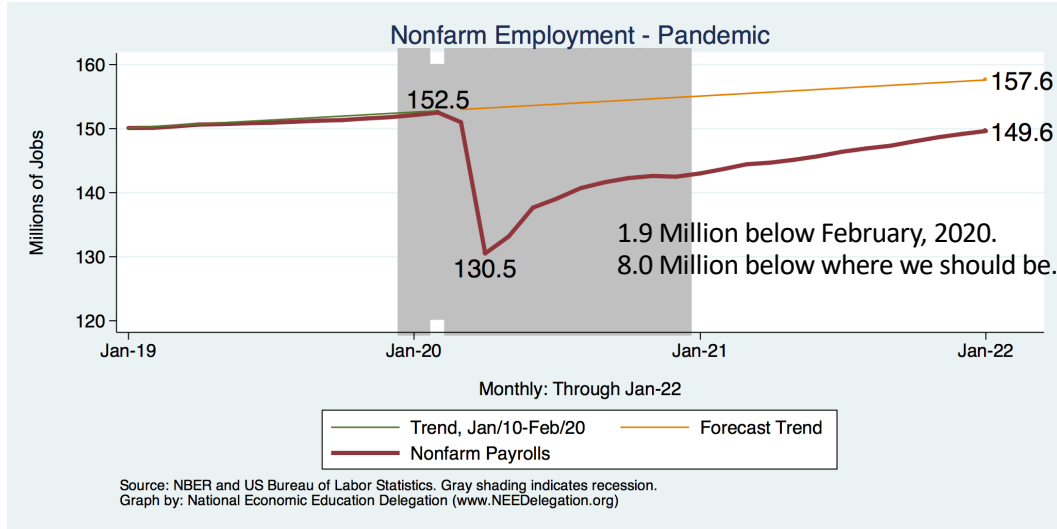
# Monthly Changes in Nonfarm Employment



0.8 Million

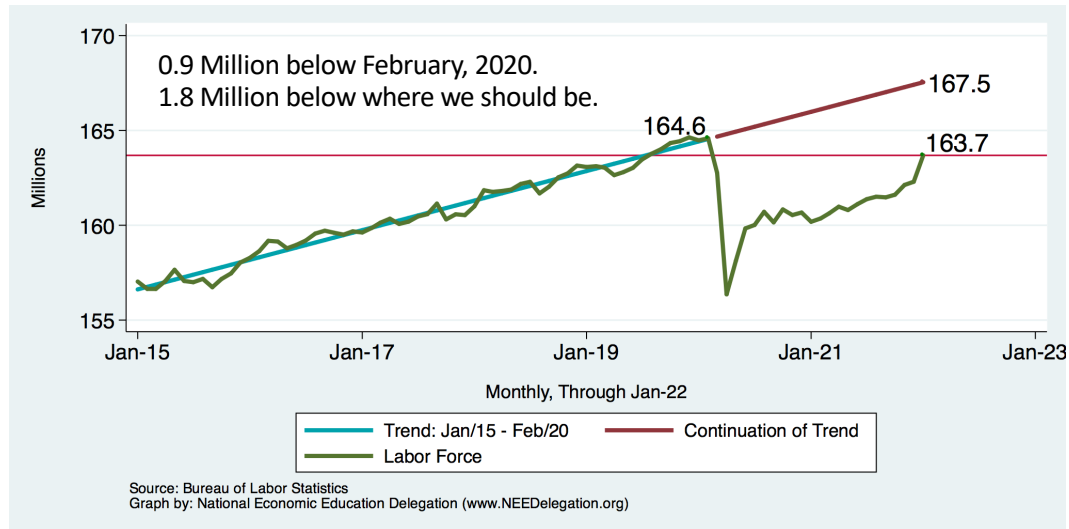
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## Employment Gap



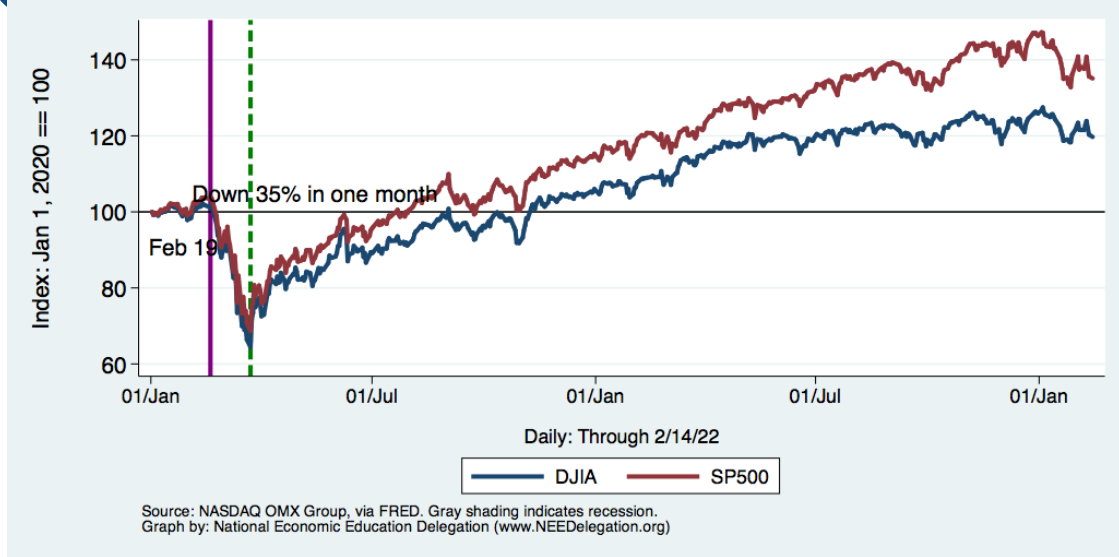
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## Trends in Labor Force Participation



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## Stocks: Bounced Back Quicker This Time



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## Hot Topics

- Government policy
- Inflation
- Great resignation

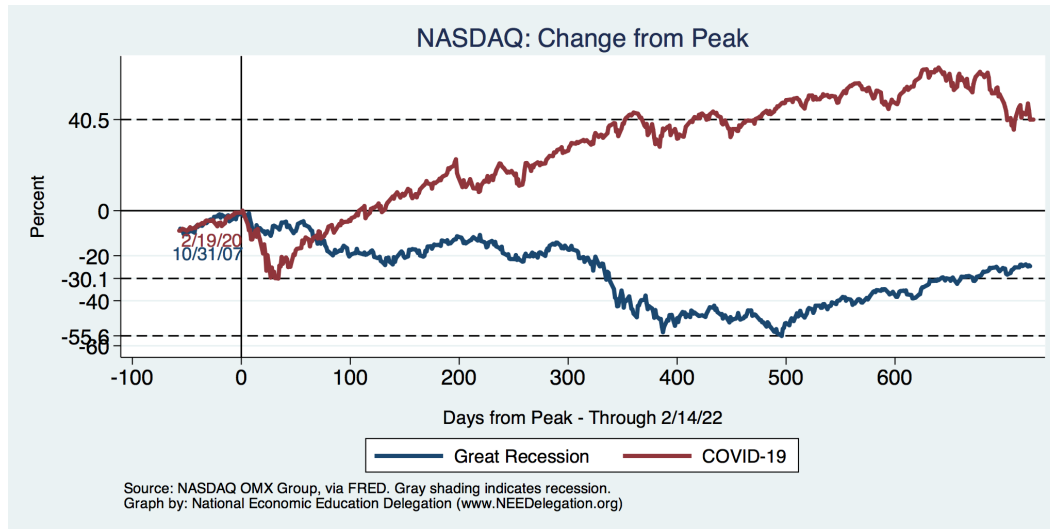
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## What Have Been Policy Effects?

- **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)

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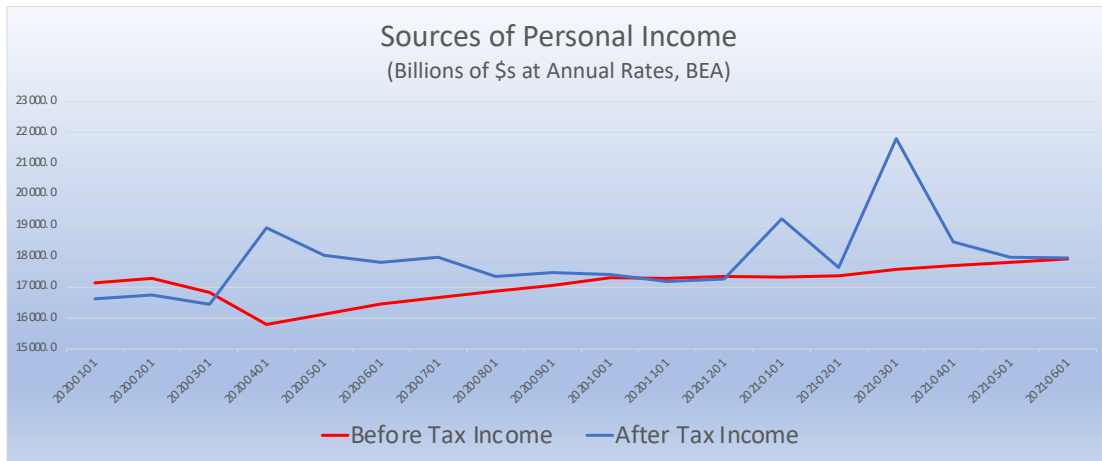
## NASDAQ: Then (Great Recession) and Now



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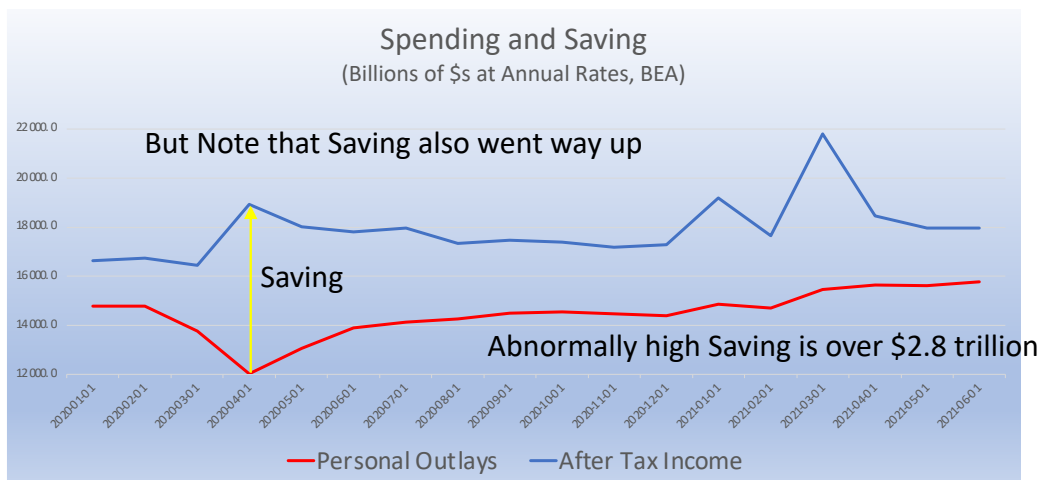


## Recovery Due to Immense Fiscal Stimulus and Control of COVID



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## Stimulus allowed Spending to Recover



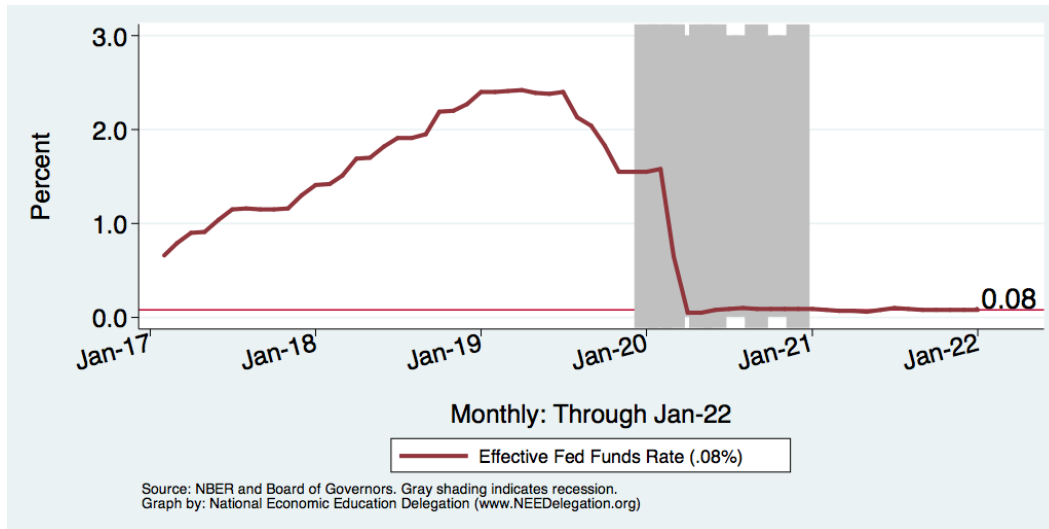
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# Monetary Policy: Federal Reserve

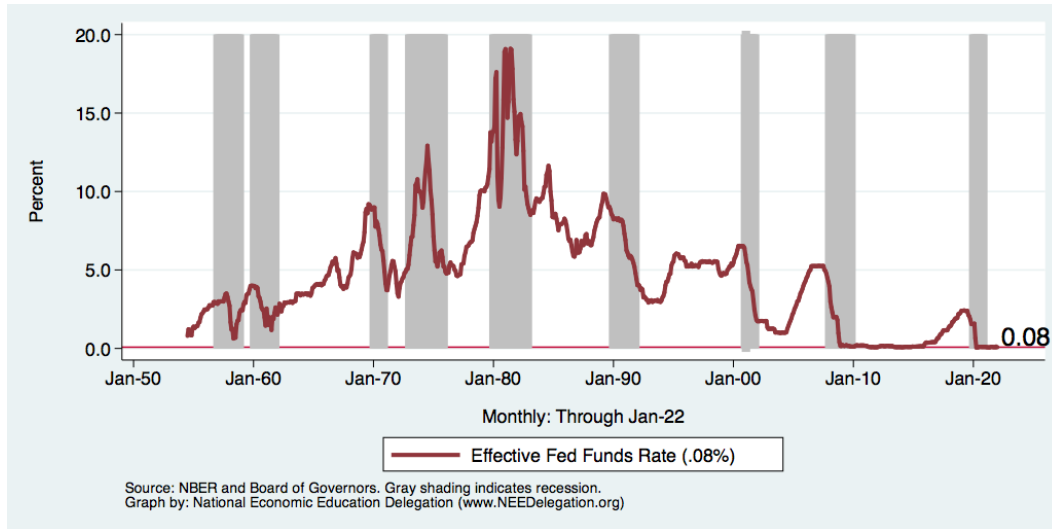
- **Primary goal is to keep interest rates low, to facilitate continued borrowing.**

- Federal Funds Rate – rate at which banks lend to each other, usually overnight.
- Purchases of U.S. Treasury securities – keep money flowing to the government at low rates of interest.

# Federal Funds Rate – Last 5 Years

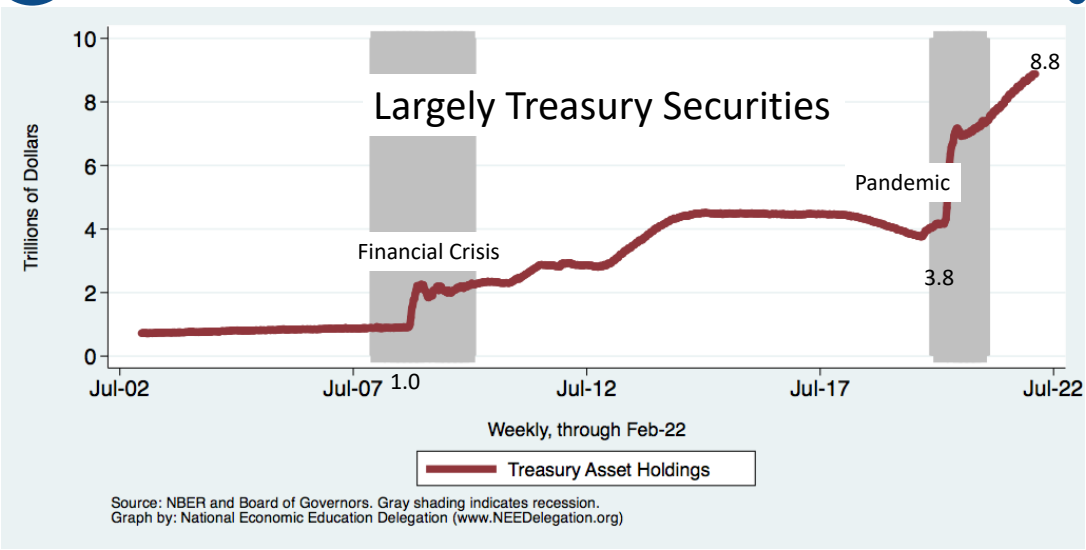


## Federal Funds Rate



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## Federal Reserve Assets



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# Inflation

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## How Does Inflation Work?

Inflation represents the rate at which the cost of goods and services increase over a period of time.

### Demand-Pull



When demand for goods/service exceeds production capacity.

### Cost-Push



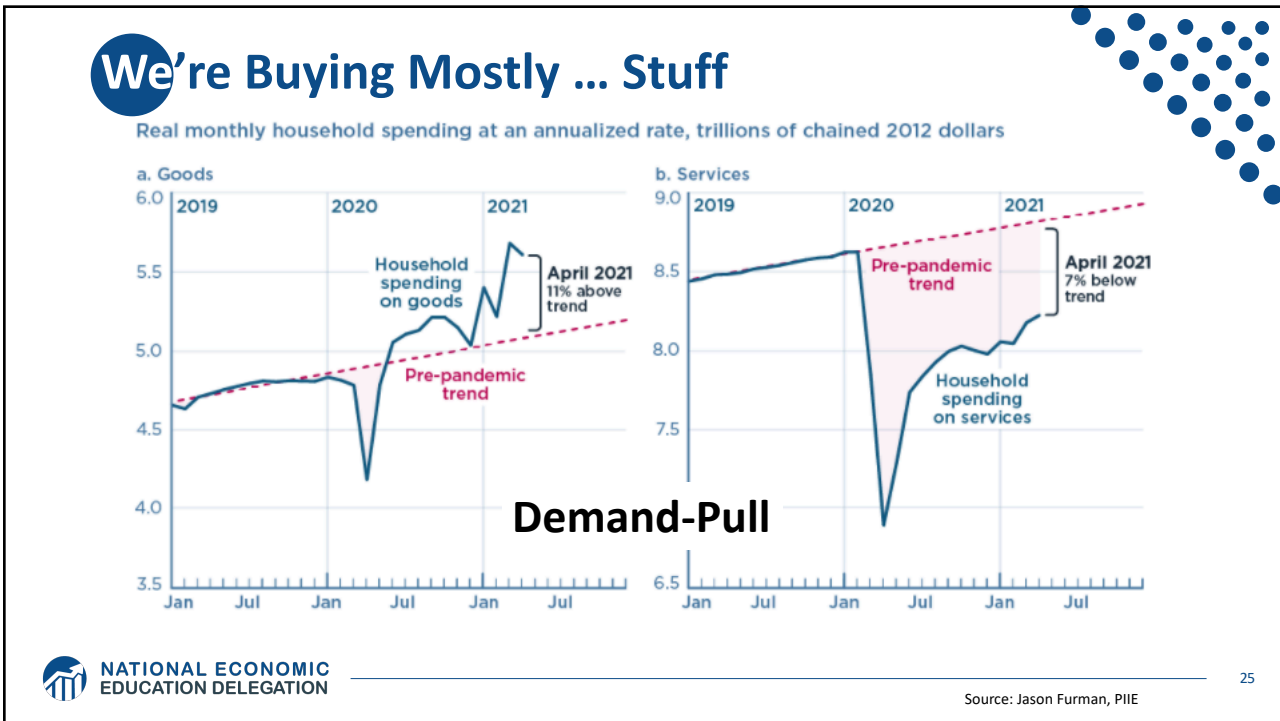
When production costs increase prices.

### Built-In

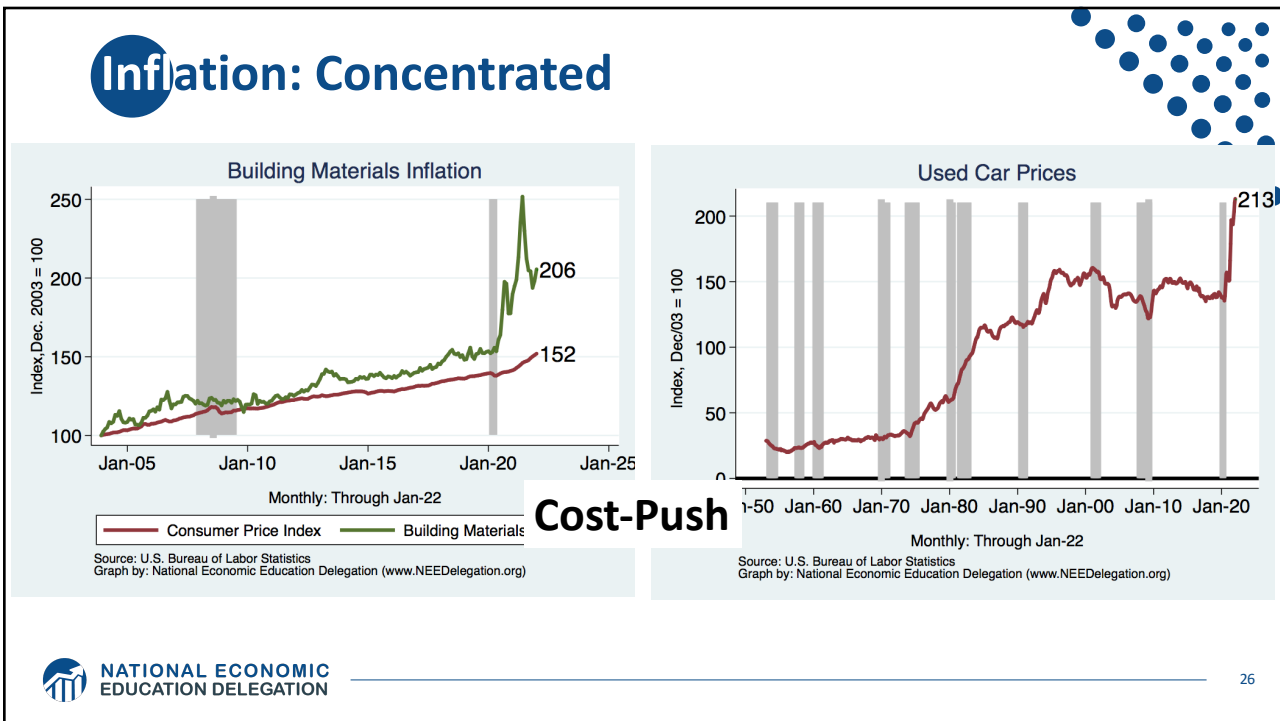


When prices rise, wages rise too, in order to maintain living costs.

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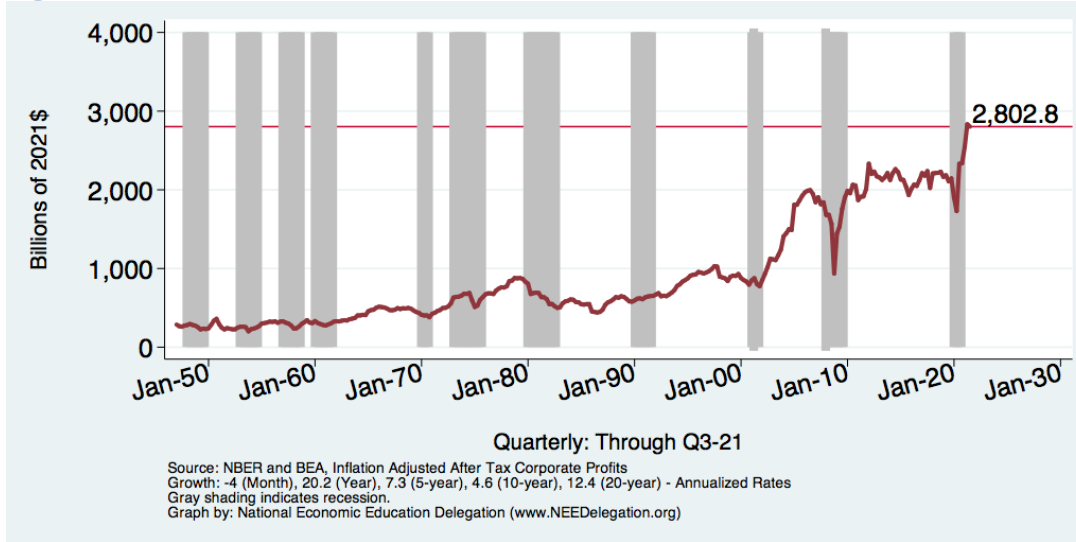


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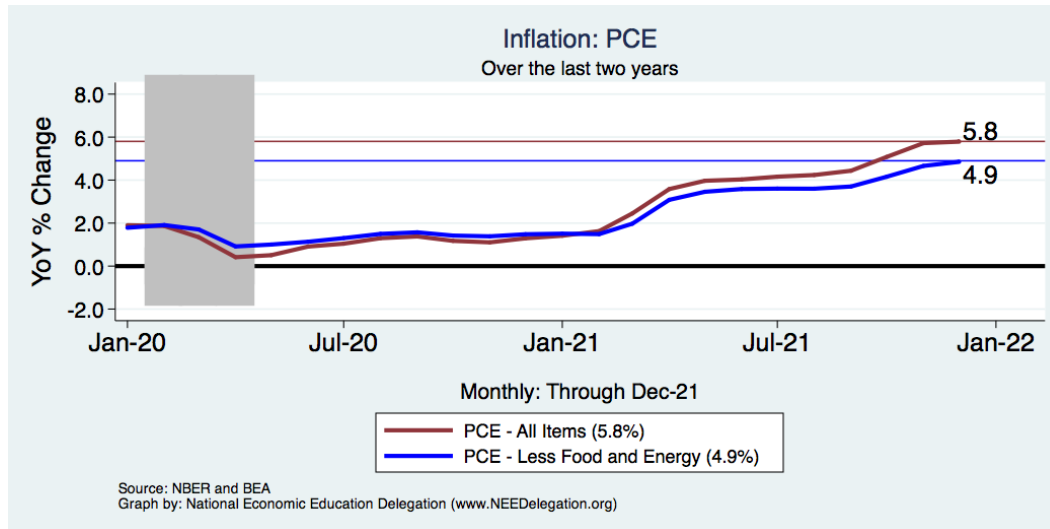
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## Corporate Profits...Adding to Inflation?



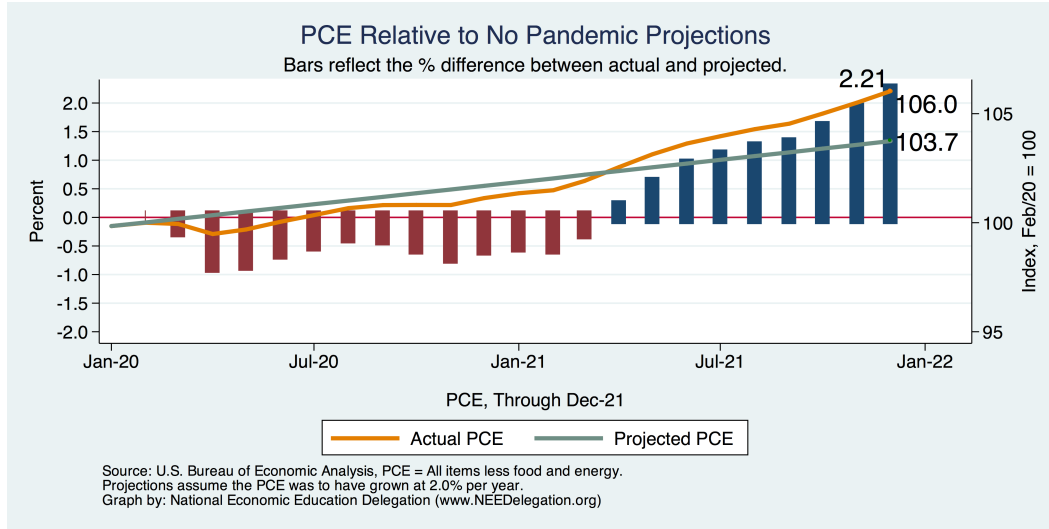
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## Inflation – The Fed’s Metric! Should we worry?



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# Inflation – PCE and Fed Suggest: I don't know.



# So Far Inflationary Expectations Look Stable

- Professional forecasters, financial markets and the Fed itself think that inflation in 2022 will be in the 2.5-3%, range

	Median Fed Forecasts from 12/15/21 FOMC Meeting			
	2022	2023	2024	Longer run
Unemployment rate	3.5	3.5	3.5	4.0
Inflation	2.6	2.3	2.1	2.0
Interest rate	0.9	1.6	2.1	2.5

# The Great Resignation

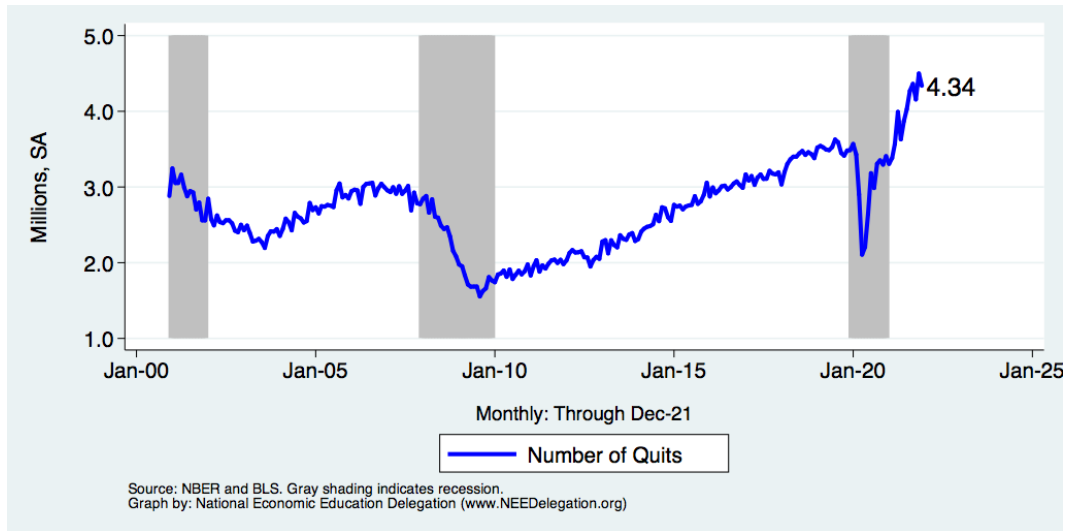


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## Quits Are High! The Great Resignation



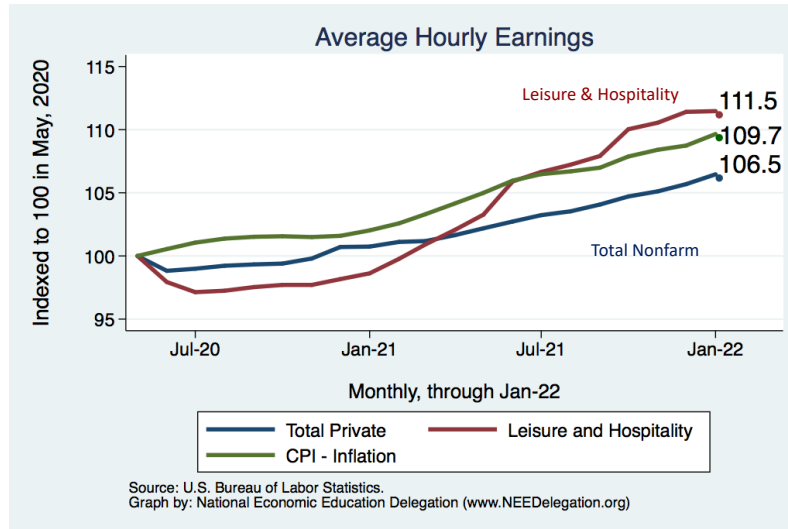
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## This is Happening Despite Rising Wages



L&H wages rising  
Not much faster  
Than inflation



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## Primary Topics Covered

### • GDP

- Recovered the decline, but not where it should be.
- Won't recover previous forecast until late 2022.

### • Employment

- Still down 8.0 million jobs relative to forecast. (1.9 million relative to Feb/20).
- Labor force is 0.9 million smaller than at the beginning of the pandemic.
- Rising wages may be enticing low-wage workers back to work.

### • Inflation

- Going to be high for a while, but transitory – maybe?



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## Conclusion

- **Recovery is well underway, but may be slowing.**
- **GDP expanded by 5.7% percent in 2021, 3-4% in 2022.**
- **2021 was an odd year.**
  - Workers attained the upper hand.
  - Supply chains broke.
  - Inflation surged.
  - The economy rebuilt itself.
- **Biggest problems:**
  - Supply chain bottlenecks.
  - Labor force participation.



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## Where Are We Headed?

- **At best, back to where we were before the pandemic.**
  - Economic growth of ~2%/year.
  - Low interest rates.
  - Inflation back in the 2% range.
- **How long is it going to take to get there and what will we endure?**
  - Entirely speculation.
  - Could be 5 years before we are back to equilibrium. NOT back to normal.
- **Next year: elevated inflation and interest rates.**
- **2023: GDP growth relatively slow, but perhaps greater than recent averages.**



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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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## Thank you!

## Any Questions?

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