



# US Economy and Coronavirus Economics

Sons in Retirement #8, Walnut Creek

Jon Haveman, Ph.D.  
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: 640+ 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: 48 Ph.D. Economists**

- Aid in slide deck development



NATIONAL ECONOMIC  
EDUCATION DELEGATION

3

3

## 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**



NATIONAL ECONOMIC  
EDUCATION DELEGATION

4

4

## Credits and Disclaimer

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

- Jon D. Haveman, NEED
- Scott Baier, Clemson University
- Geoffrey Woglom, Amherst College (Emeritus)
- Brian Dombeck, Lewis & Clark College
- Doris Geide-Stevenson, Weber State

- **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

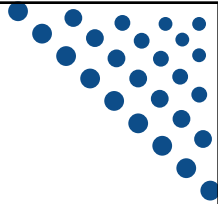
## Outline


- **State of the pandemic**
- **The U.S. Economy**
- **Hot Topics**
  - Debt
  - Inflation
  - Great resignation
  - Structural changes



6

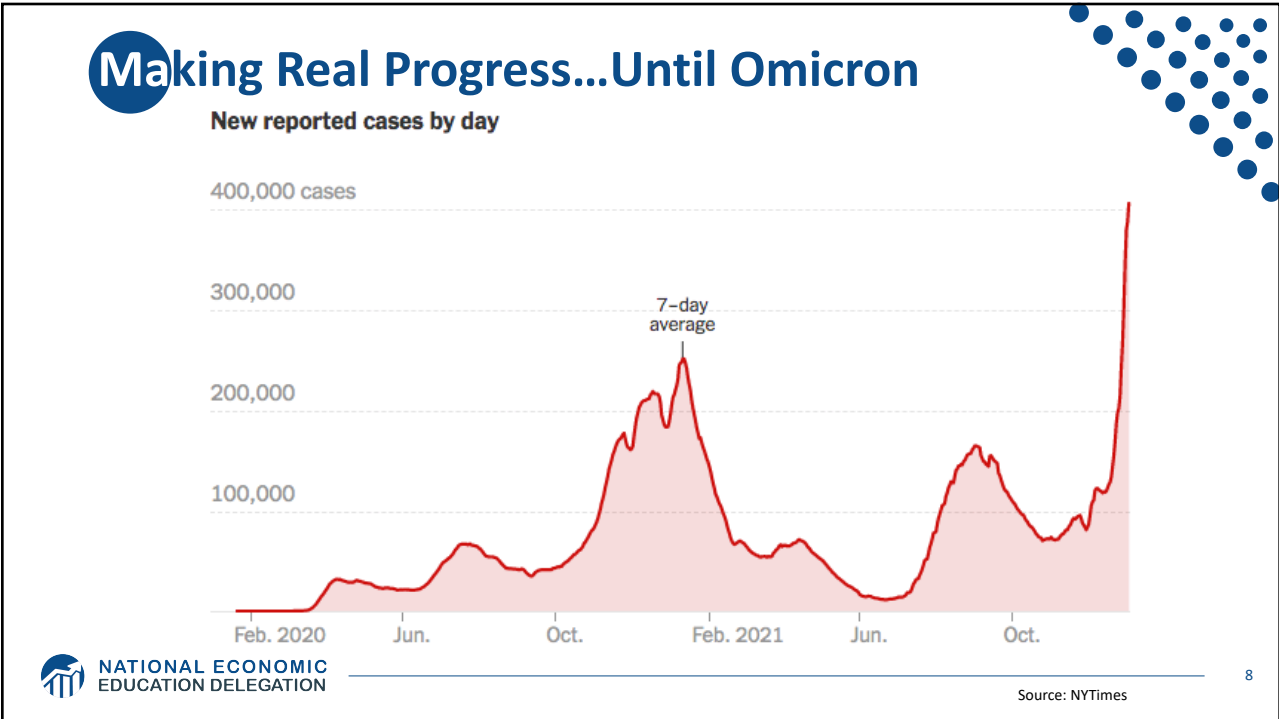
# State of the Pandemic



 NATIONAL ECONOMIC EDUCATION DELEGATION

7

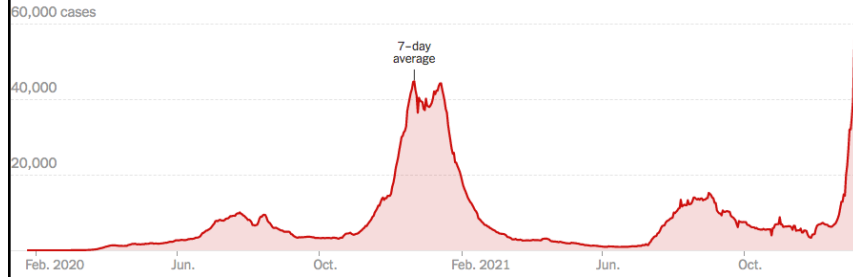
7



8

# California Cases Were Falling Nicely

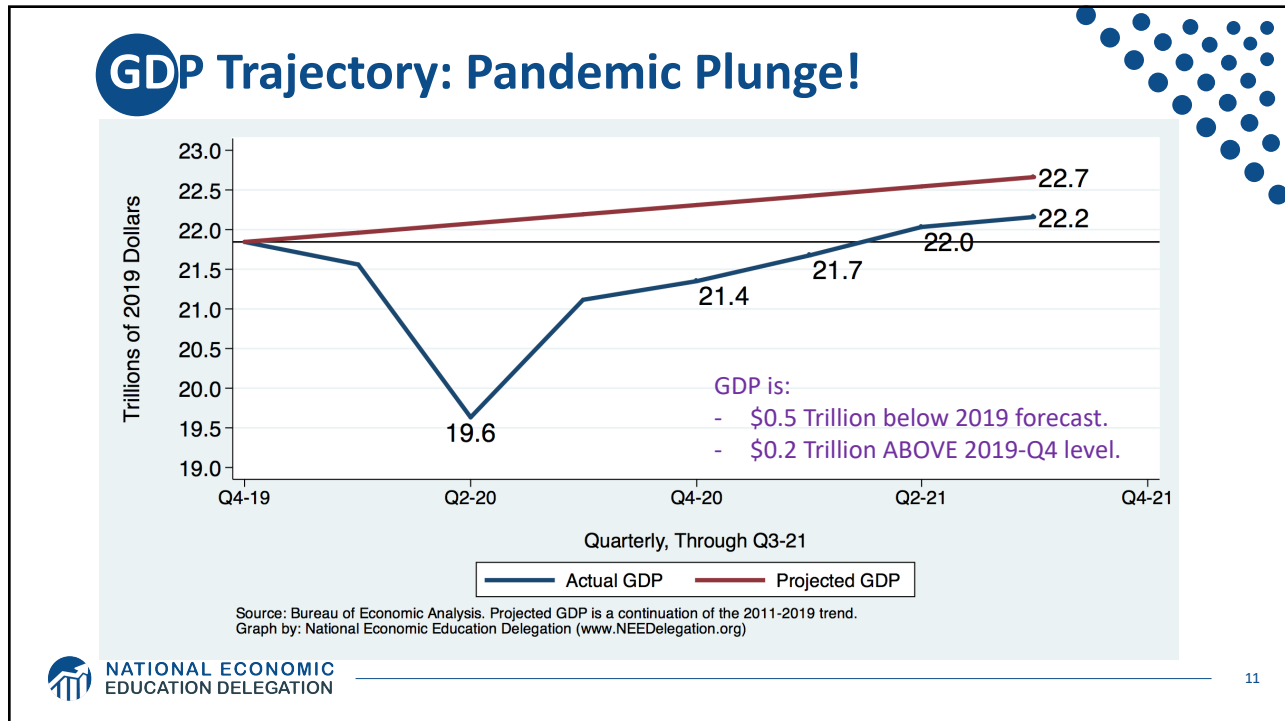
## New reported cases



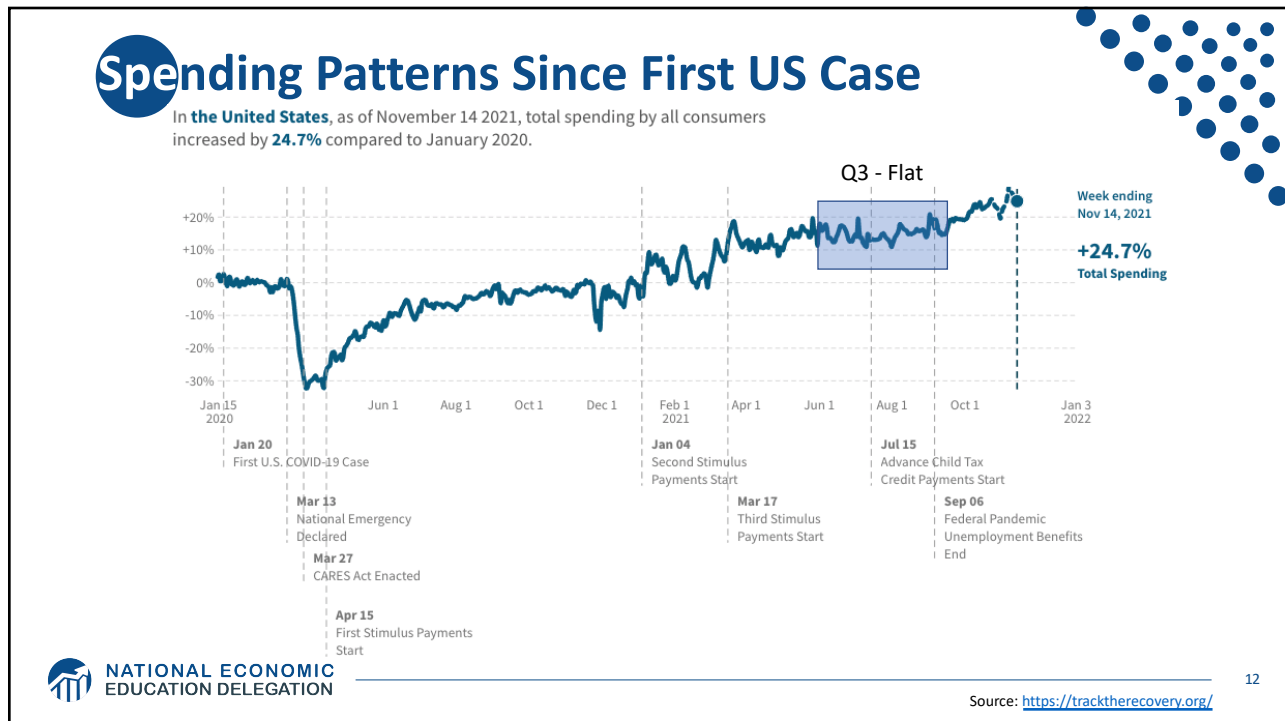
## Vaccinations

	AT LEAST ONE DOSE	FULLY VACCINATED
All ages	84%	67%
12 and up	95%	76%
65 and up	95%	87%

# The U.S. Economy

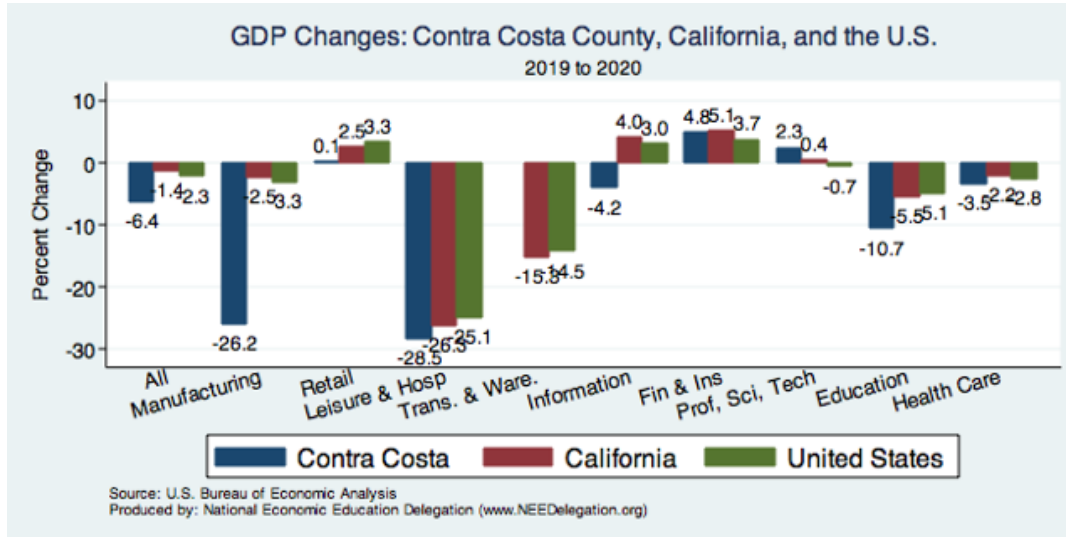


11



12

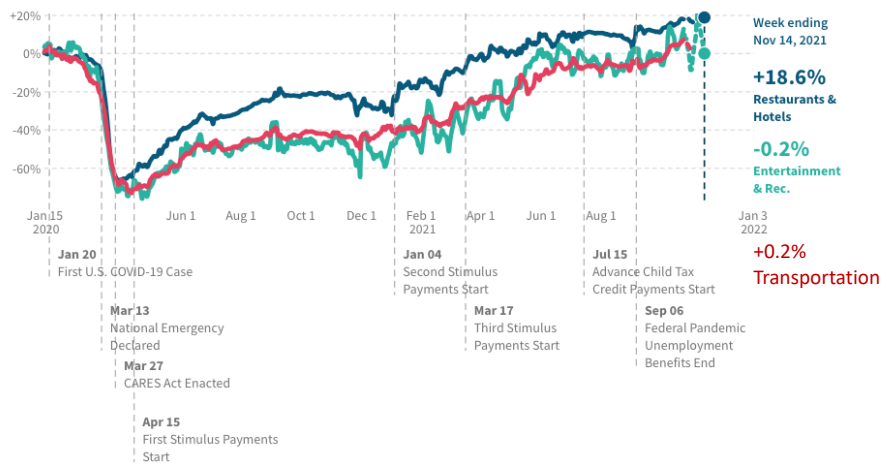
## But Not All Industries Were Equally Harmed



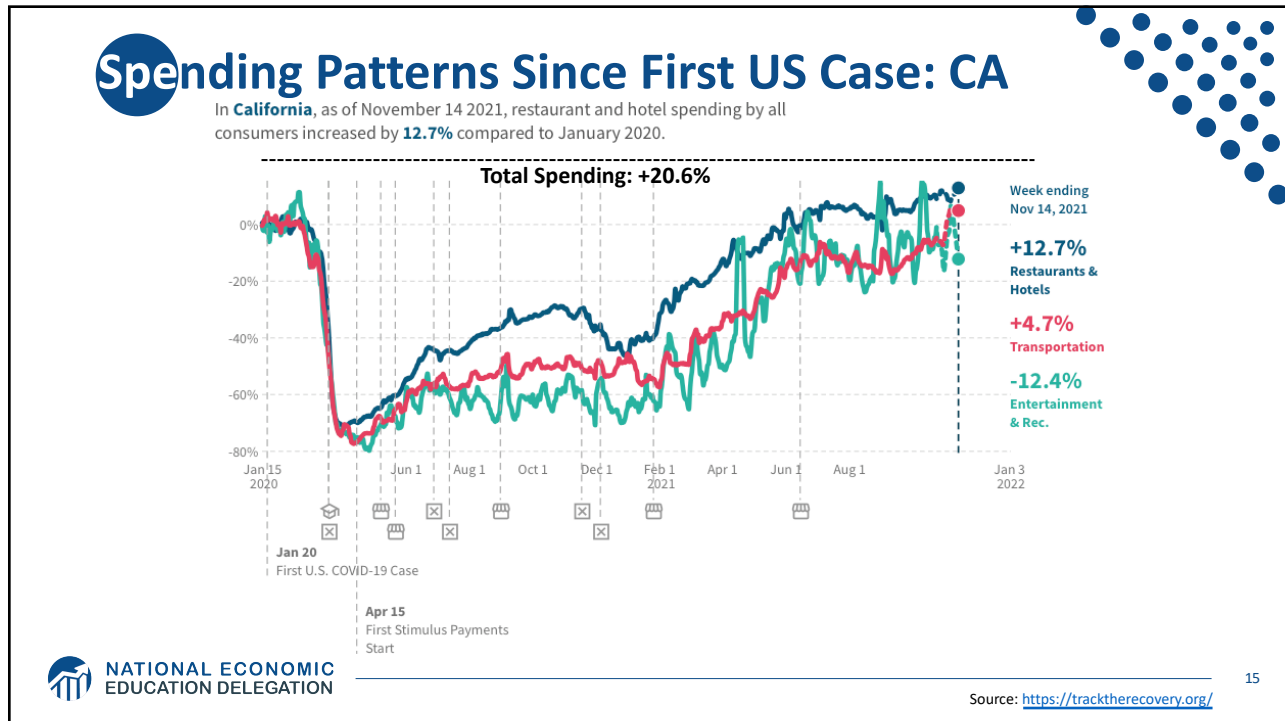
13

## Spending Patterns – Hardest Hit Sectors

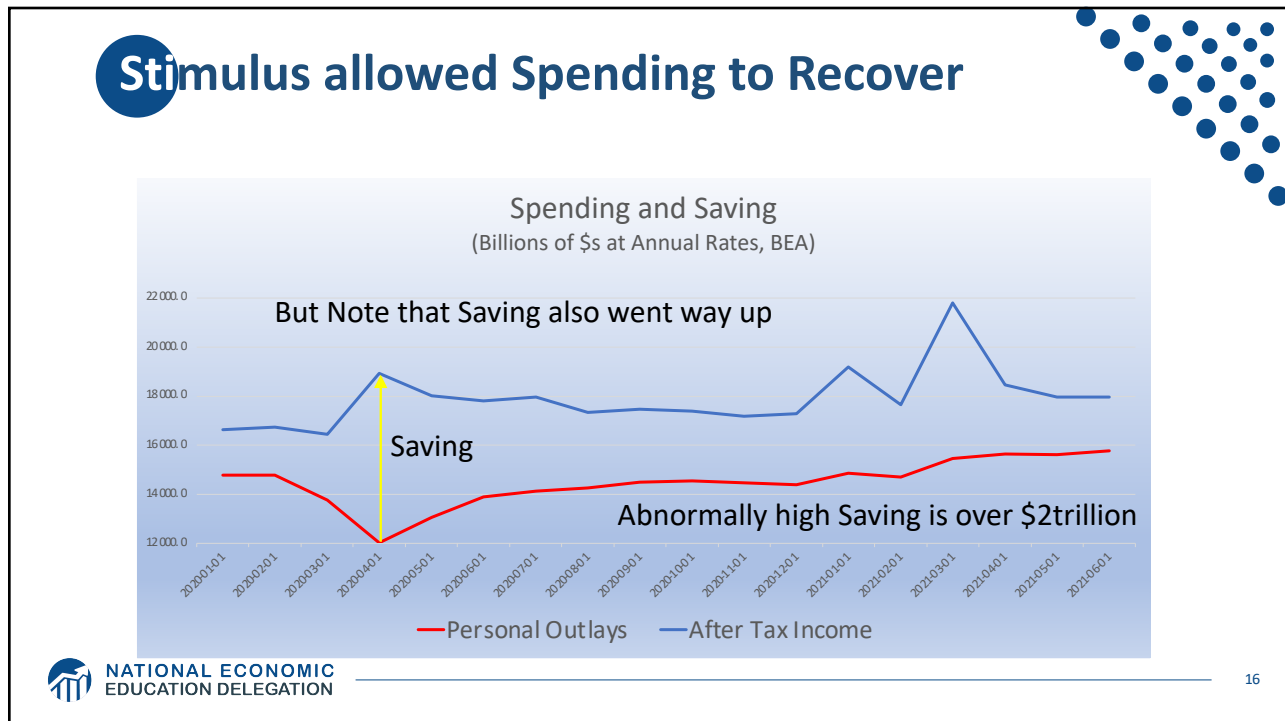
In the United States, as of November 14, 2021, restaurant and hotel spending by all consumers increased by **18.6%** compared to January 2020.



14



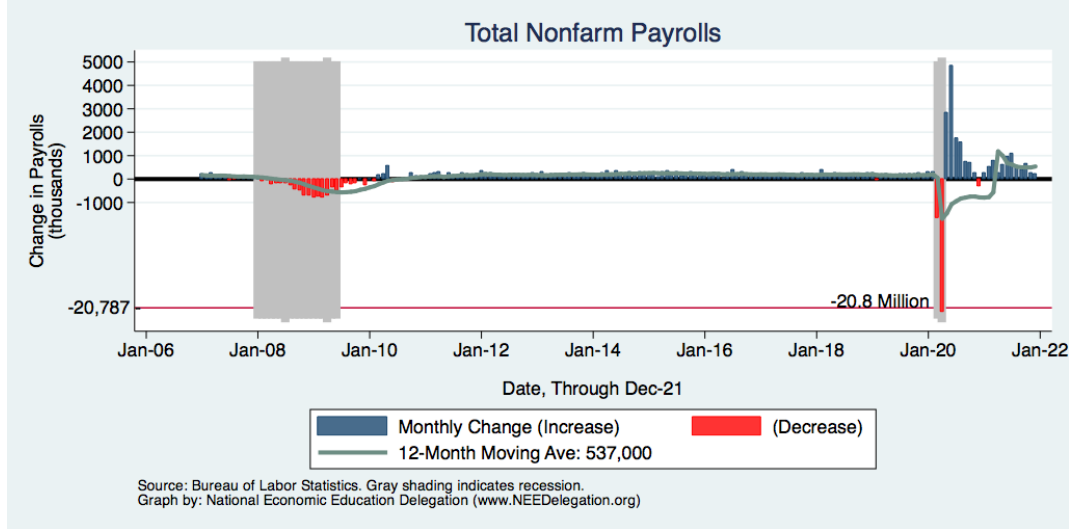
15



16

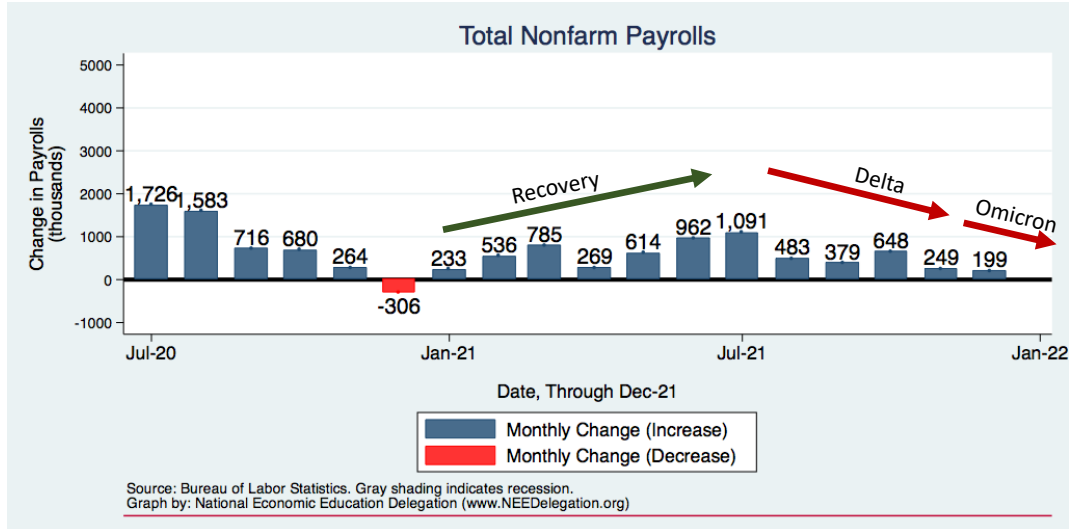


# Monthly Changes in Nonfarm Employment



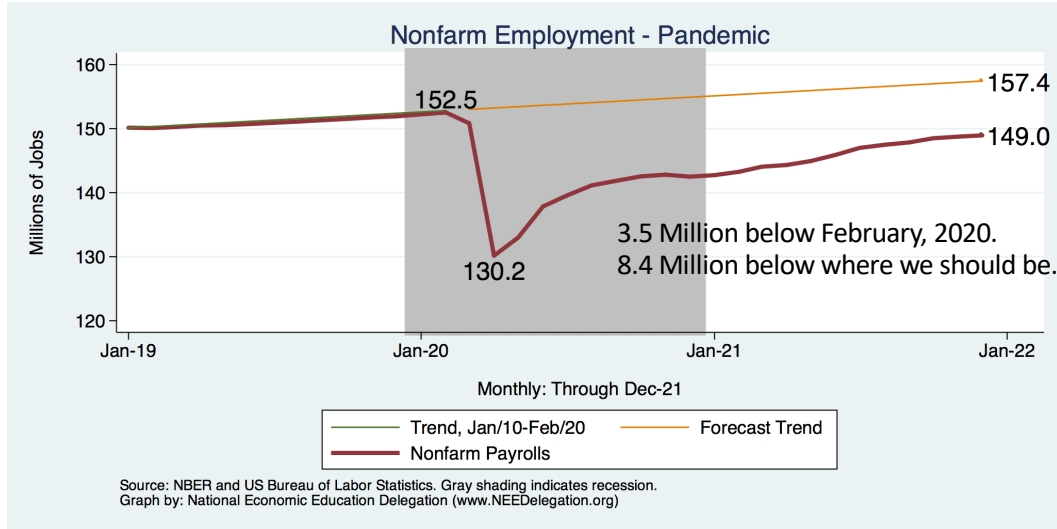
17

# Monthly Changes in Nonfarm Employment



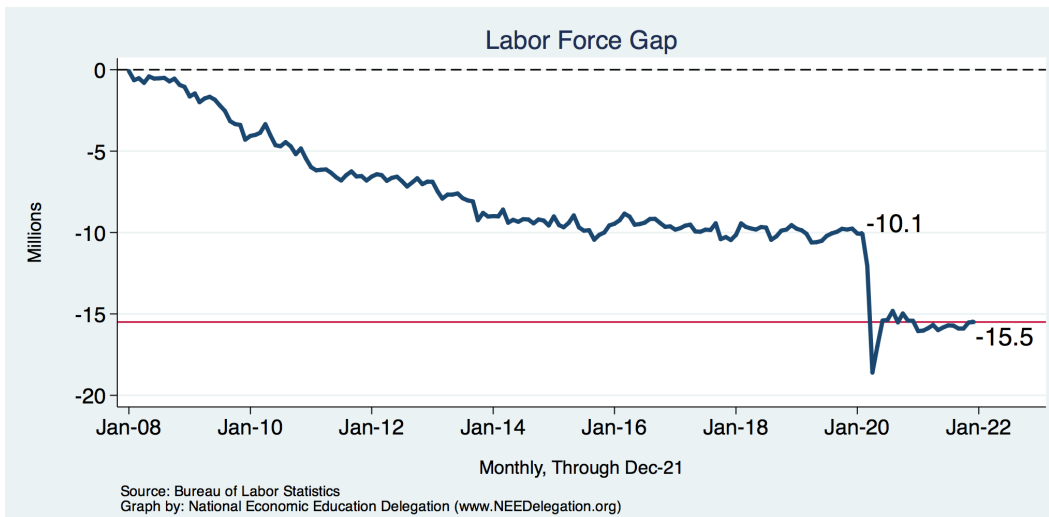
18

## Employment Gap



19

## Labor Force is Shrinking – Drives Down UR



20

# Hot Topics

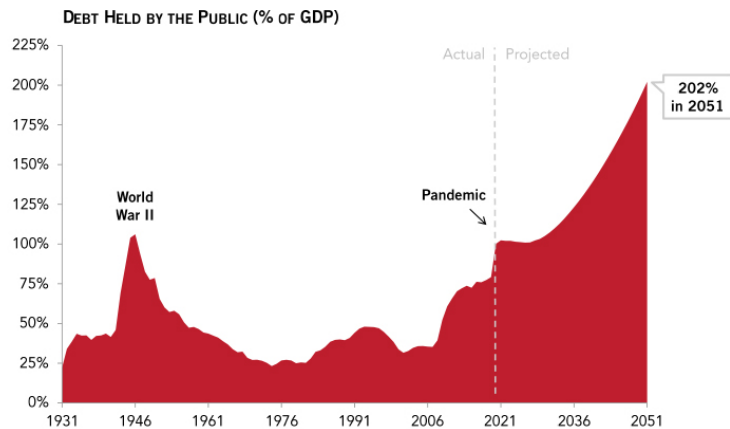
- Debt
- Inflation
- Great resignation
- Structural changes

21

# A Problem Exacerbated....Not Created



The national debt is on an unsustainable path

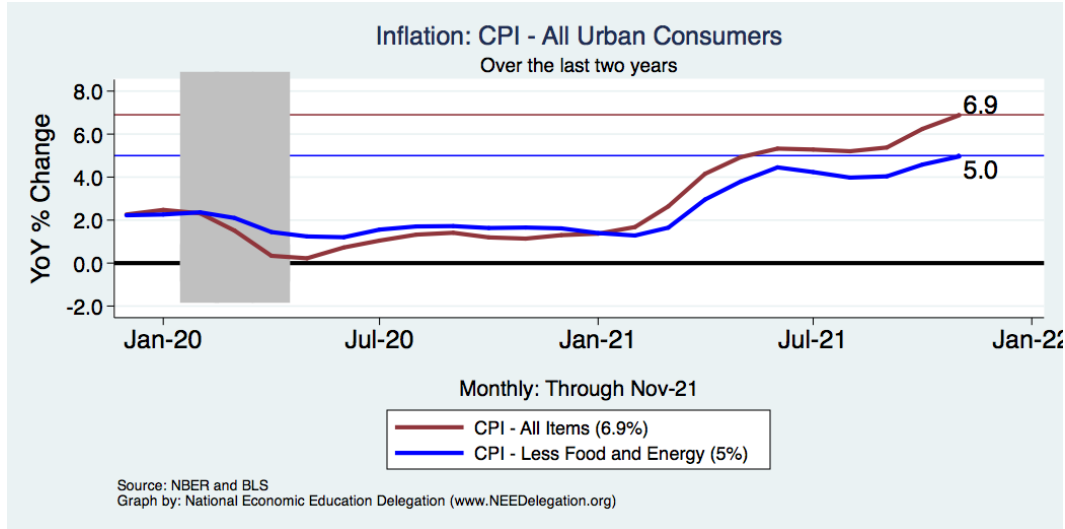


SOURCE: Congressional Budget Office, The 2021 Long-Term Budget Outlook, March 2021.  
© 2021 Peter G. Peterson Foundation

PGPF.ORG

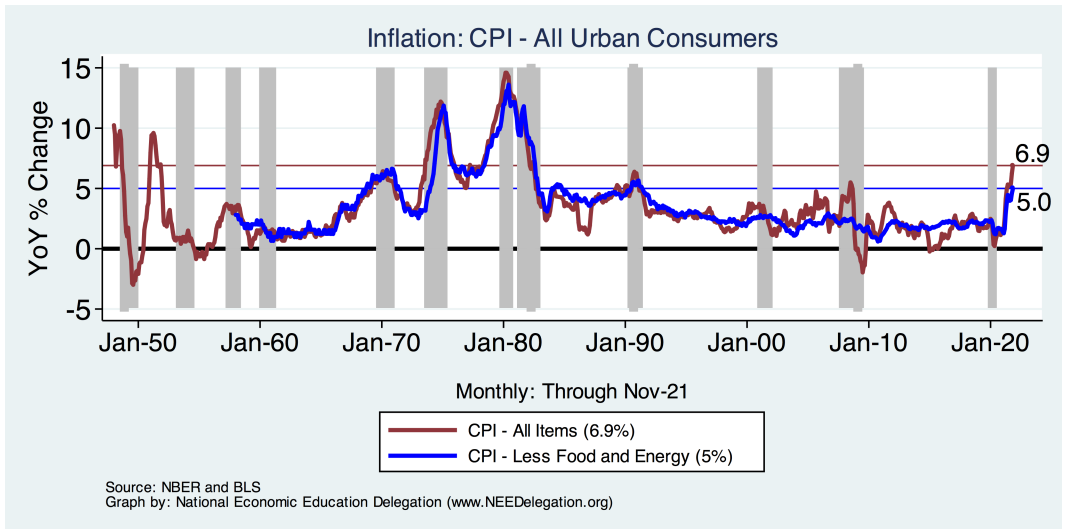
22

# Inflation – Climbing! Should we worry?



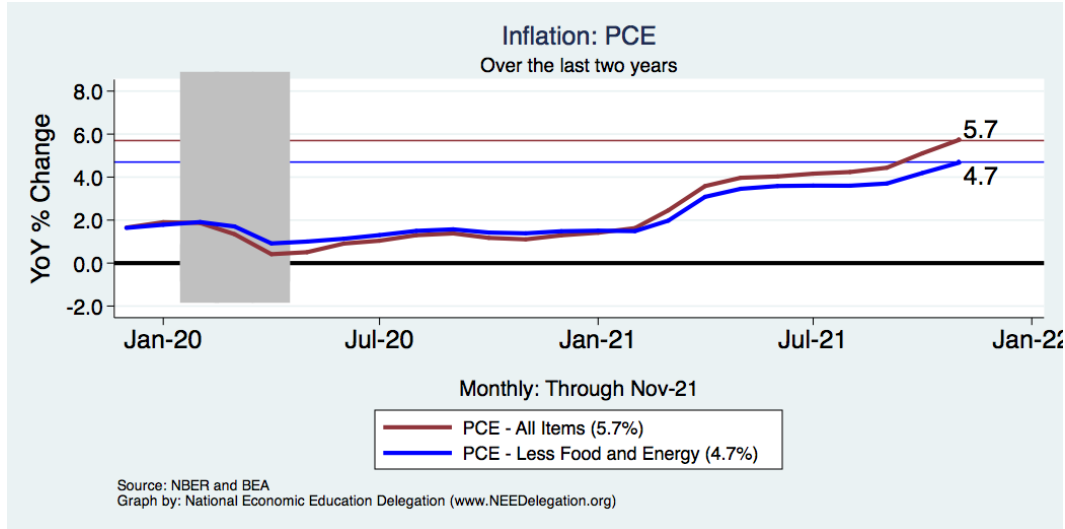
23

# Inflation in Historical Perspective



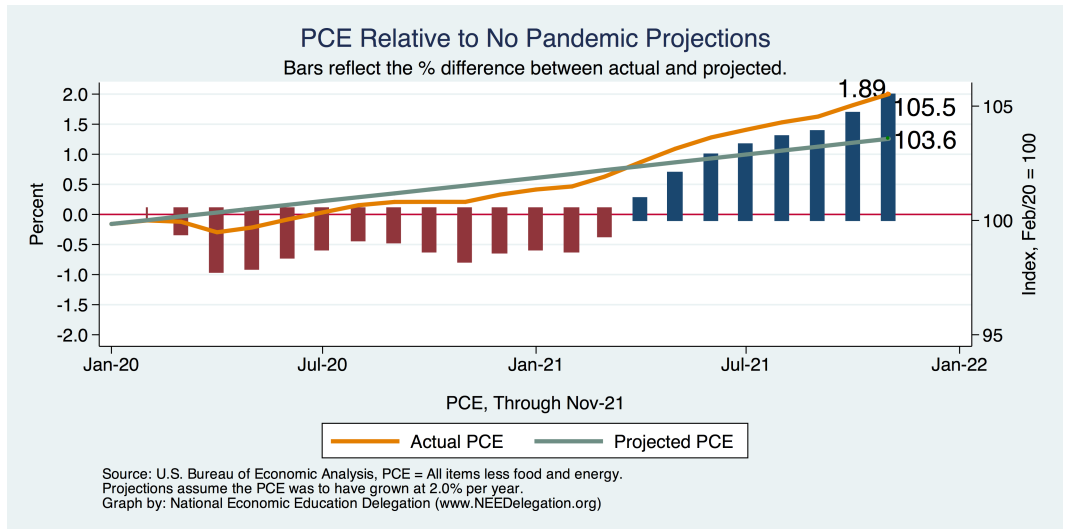
24

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



25

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



26

## 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.

NATIONAL ECONOMIC EDUCATION DELEGATION

27

Source: Investopedia

27

## We're Buying Mostly ... Stuff

Real monthly household spending at an annualized rate, trillions of chained 2012 dollars

### a. Goods

### b. Services

Demand-Pull

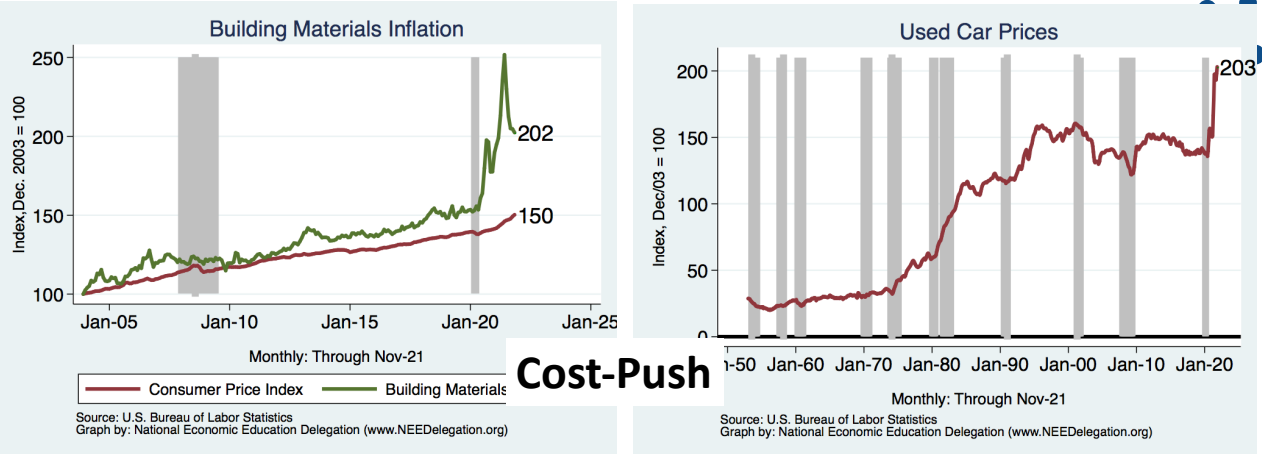
NATIONAL ECONOMIC EDUCATION DELEGATION

28

Source: Jason Furman, PIIE

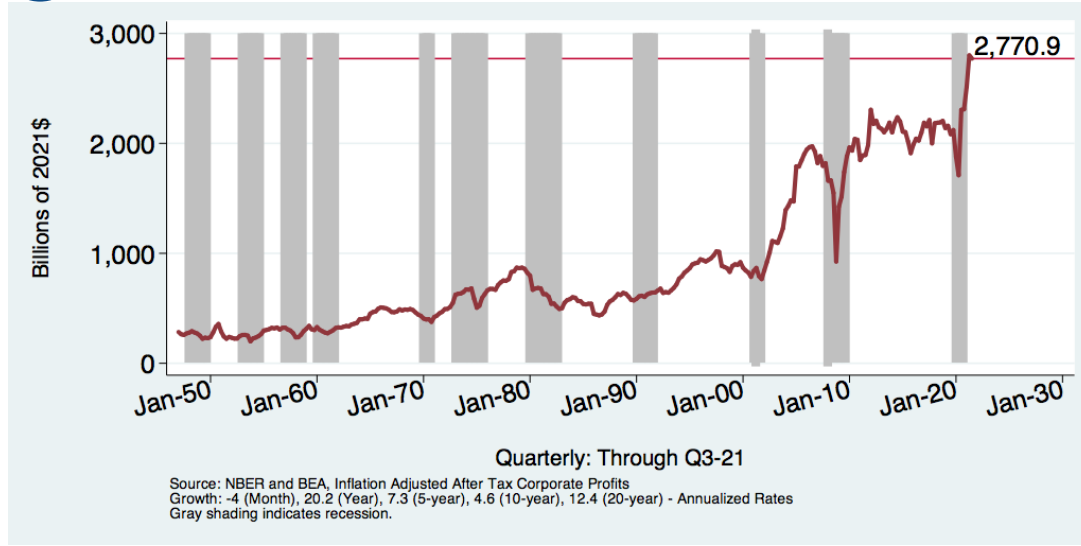
28

# Inflation: Concentrated



29

# Corporate Profits...Adding to Inflation?

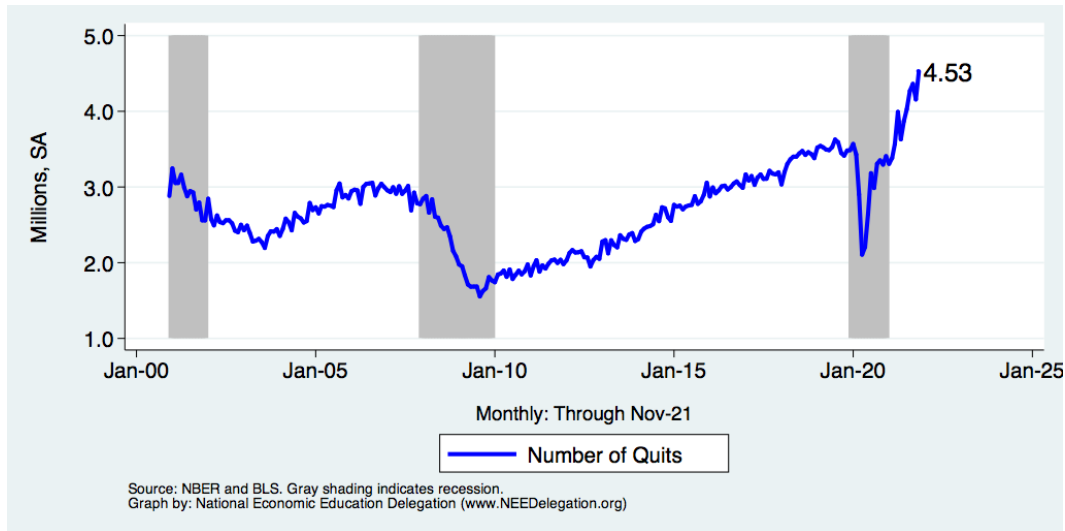


30

# The Great Resignation

31

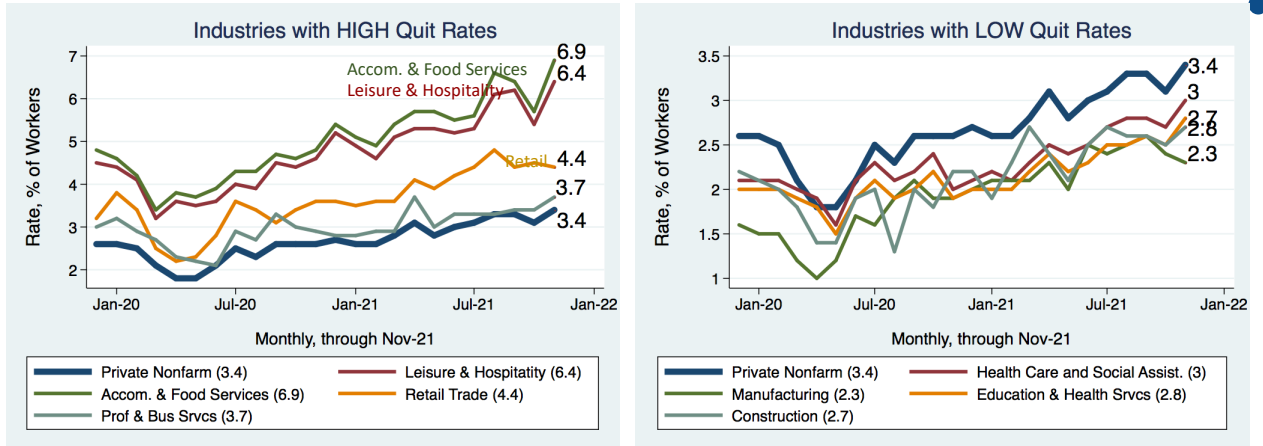
## Quits Are High! The Great Resignation



32

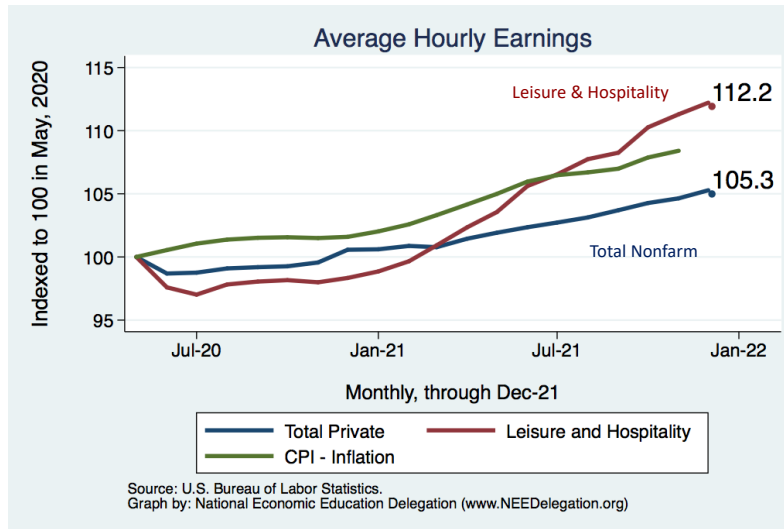


# Quits – Rising, but More in Some Industries



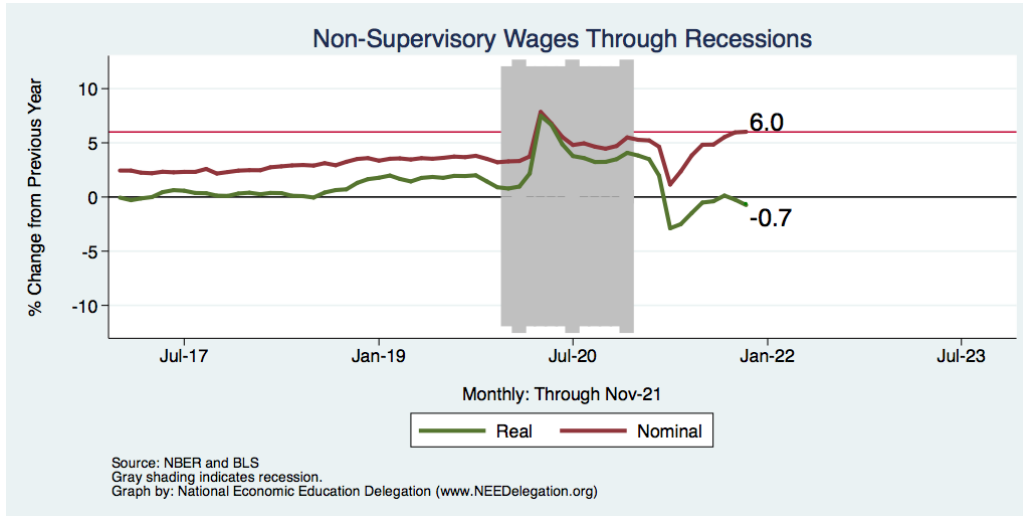
33

# This is Happening Despite Rising Wages



34

# Inflation Adjusted Wages Are Falling



35

# Declining Resources May Change Things



36

## Structural Changes?

- **Pandemic has been an accelerant.**
  - Not a change agent.
- **Retail**
- **Telecommuting**
- **Telehealth**
- **Business travel?**
- **Wealth concentration**
- **Industry concentration**
- **Automation**



37

## Primary Topics Covered

- **GDP**
  - Recovered the decline, but not where it should be.
  - Won't recover previous forecast until late 2022.
- **Employment**
  - Still down 8.4 million jobs relative to forecast. (3.5 million relative to Feb/20).
  - Labor force is 2.5 million smaller than at the beginning of the pandemic.
  - Rising wages are not enticing low-wage workers back to work.
- **Inflation**
  - Going to be high for a while, but transitory – maybe?



38

## Conclusion

- Recovery is well underway, but may be slowing.
- GDP will likely have expanded 5% percent in 2021, 3-4% in 2022.
- 2021 was an odd year.
  - GDP recovered significantly.
  - Workers attained the upper hand.
  - Supply chains broke.
  - Inflation surged.
  - The economy rebuilt itself.
- Biggest problems:
  - Supply chain bottlenecks.
  - Labor force participation.



39

## Best Measures of Progress

- Inflation – getting it under control.
- Real wages – need to see progress.
- Workforce participation – need growth here to get GDP growth.

**Pay no attention to the unemployment rate.**



40

**Thank you!**

# Any Questions?

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

Jon D. Haveman

Jon@NEEDelegation.org

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

Submit a testimonial: [www.NEEDelegation.org/testimonials.php](http://www.NEEDelegation.org/testimonials.php)

Become a Friend of NEED: [www.NEEDelegation.org/friend.php](http://www.NEEDelegation.org/friend.php)



NATIONAL ECONOMIC  
EDUCATION DELEGATION

41

41

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

For every state and county in the United States.

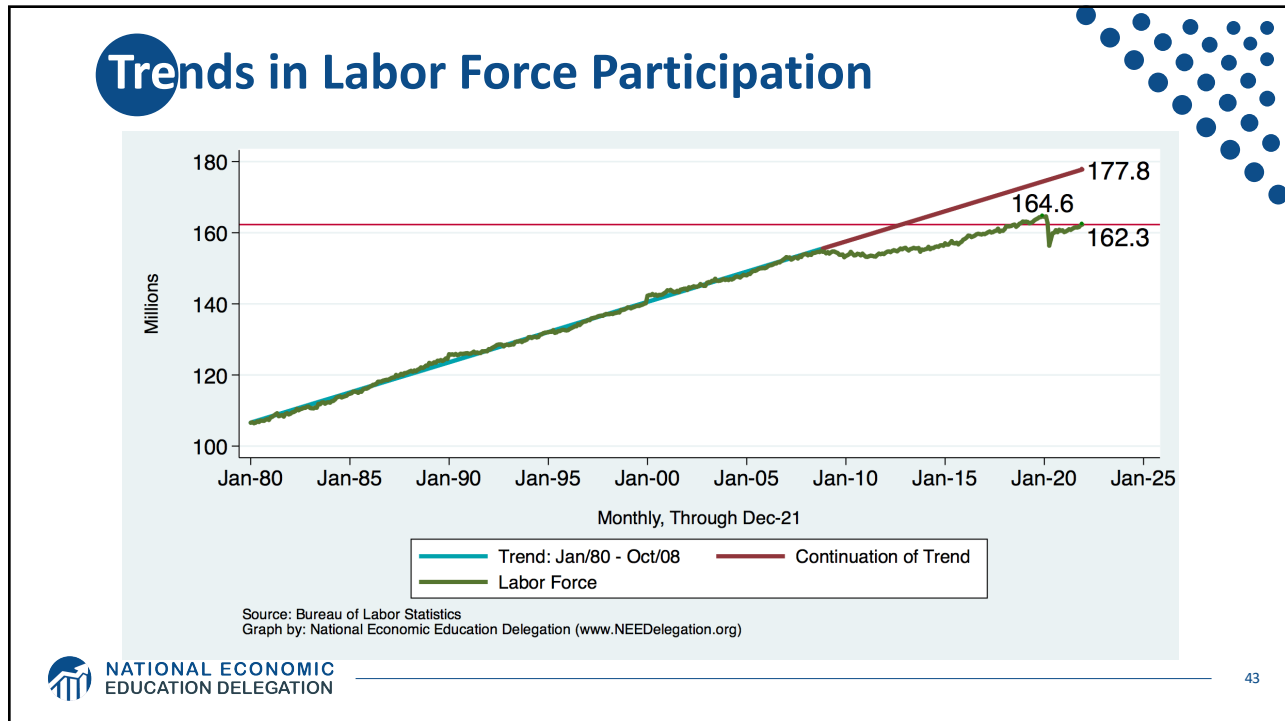
Detailed graphs on employment, housing, moves, and other statistics.



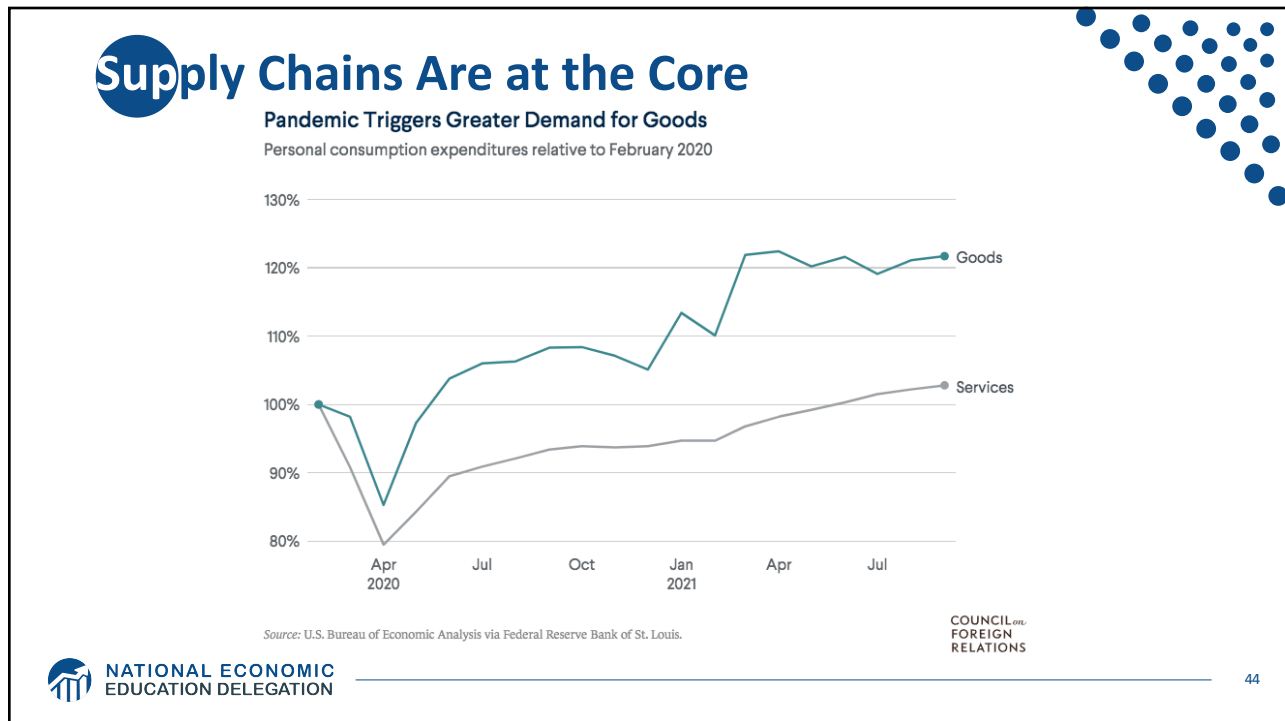
NATIONAL ECONOMIC  
EDUCATION DELEGATION

42

42



43



44

## What Are Supply Chains?

### The Journey of a Semiconductor

Steps and firm locations in the production of a smartphone chip

The map shows the following locations for each step:

- 1: Europe
- 2: U.S.
- 3: U.S.
- 4: U.S.
- 5: U.S.
- 6: Japan
- 7: South Korea
- 8: Taiwan
- 9: Malaysia
- 10: China
- 11: U.S.

Design	Equipment	Materials	Manufacturing	Sale
1. Intellectual property licensed (Europe)	4. Manufacturing equipment developed (U.S., Europe, Japan)	5. Silicon dioxide mined and refined (U.S.)	8. Wafers imprinted with circuits (Taiwan)	11. Smartphone sold to consumers (U.S.)
2. Design software developed (U.S.)		6. Silicon formed into ingot (Japan)	9. Chip packaged (Malaysia)	
3. Chip designed (U.S.)		7. Ingot sliced into wafers (South Korea)	10. Chip assembled (China)	

NATIONAL ECONOMIC EDUCATION DELEGATION

45

<https://www.cfr.org/article/what-happened-supply-chains-2021>

45

## Puzzle: Is Inflation Permanently Higher?

- **Fed: Price increases may be:**
  - 1) rebound from low prices last year;
  - 2) temporary due to supply chain disruptions; e.g., used cars, bldg supplies.
  - 3) influenced by rising wages in the future.
- **On the other hand: We are close to full employment and monetary and fiscal policies are very easy.**
- **Nobody knows, but Fed has wavered in its optimism.**

NATIONAL ECONOMIC EDUCATION DELEGATION

46

46

## Why so Kean on 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.**

