



US Economy and Coronavirus Economics

Sausalito Rotary Club

Jon Haveman, Ph.D.
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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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

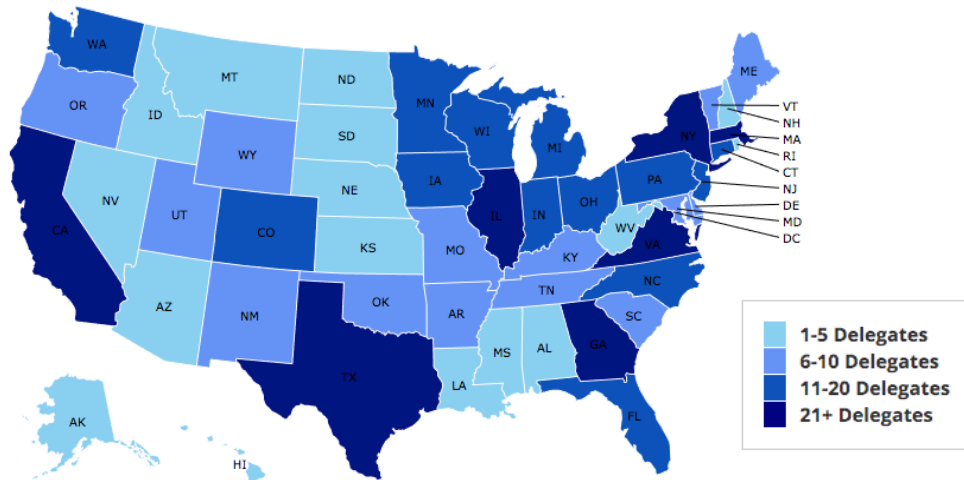
• Global Partners: 48 Ph.D. Economists

- Aid in slide deck development



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Where Are We?



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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:**
 - 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).



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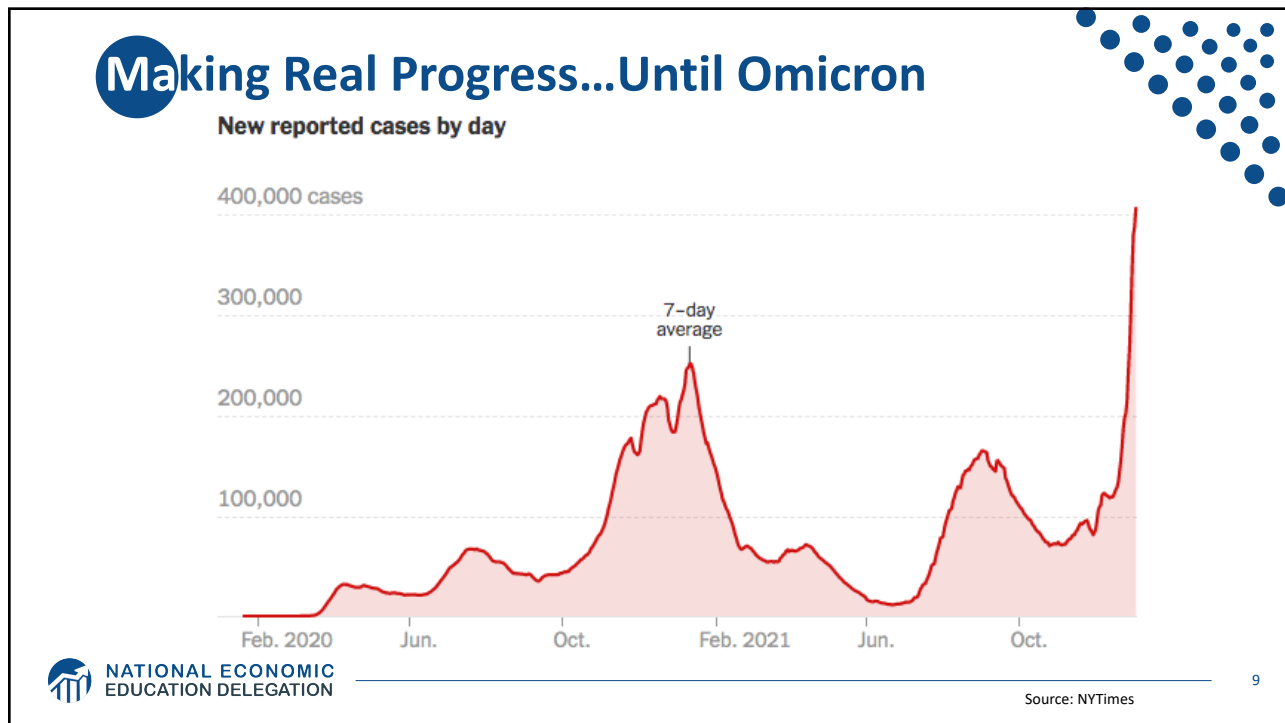
Outline

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

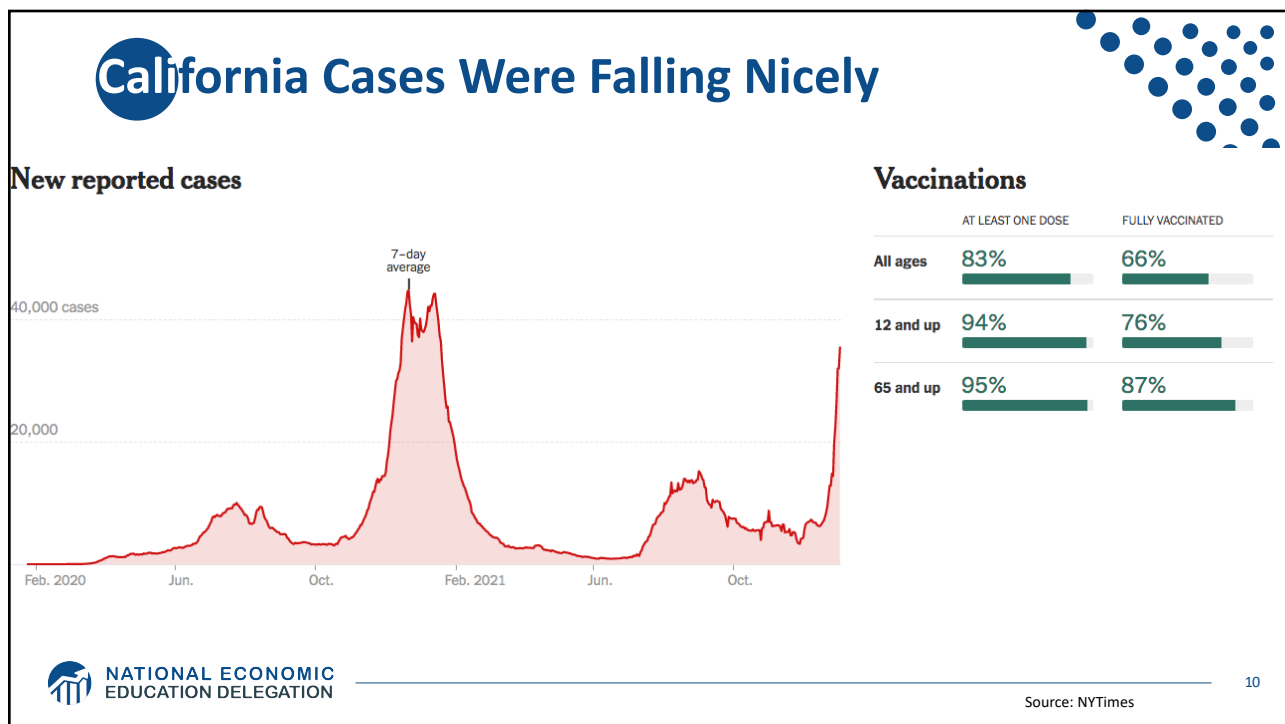
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State of the Pandemic

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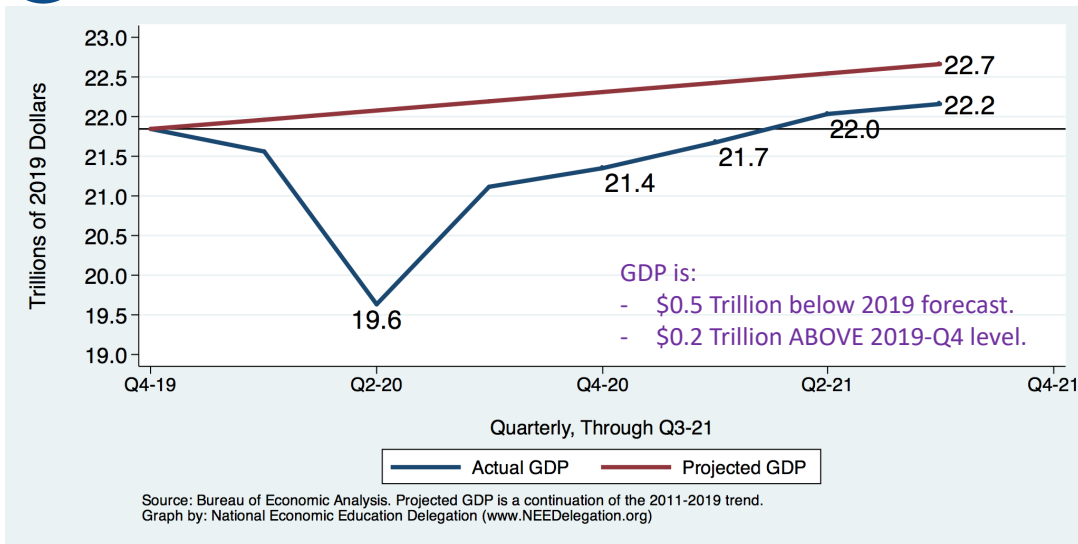


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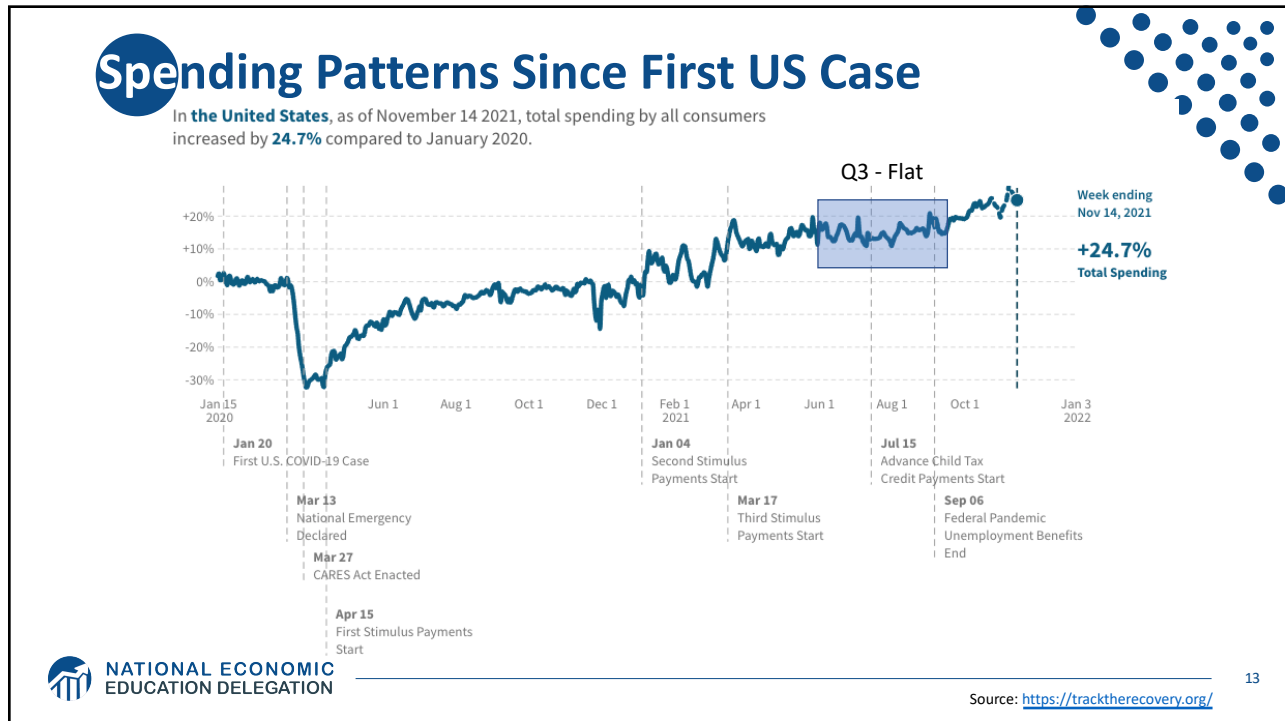
The U.S. Economy

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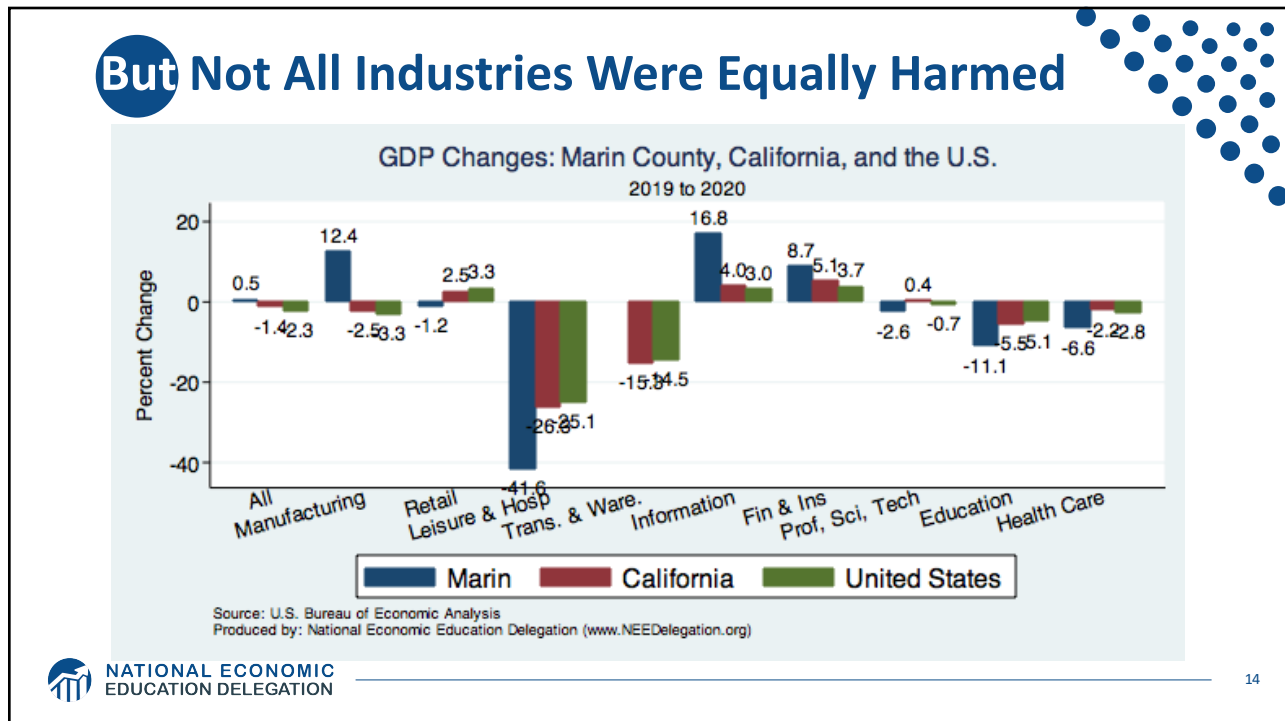
GDP Trajectory: Pandemic Plunge!



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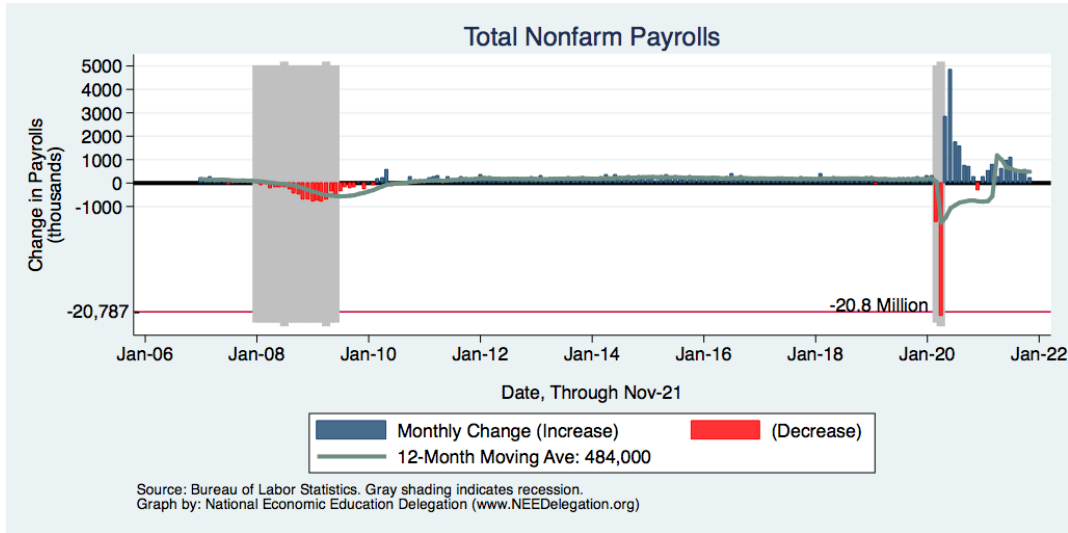


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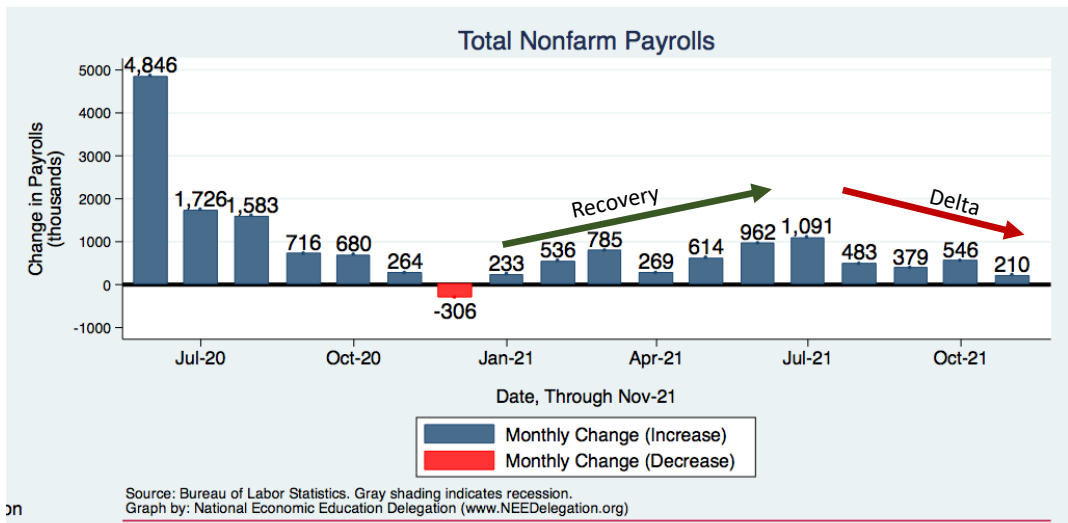
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Monthly Changes in Nonfarm Employment

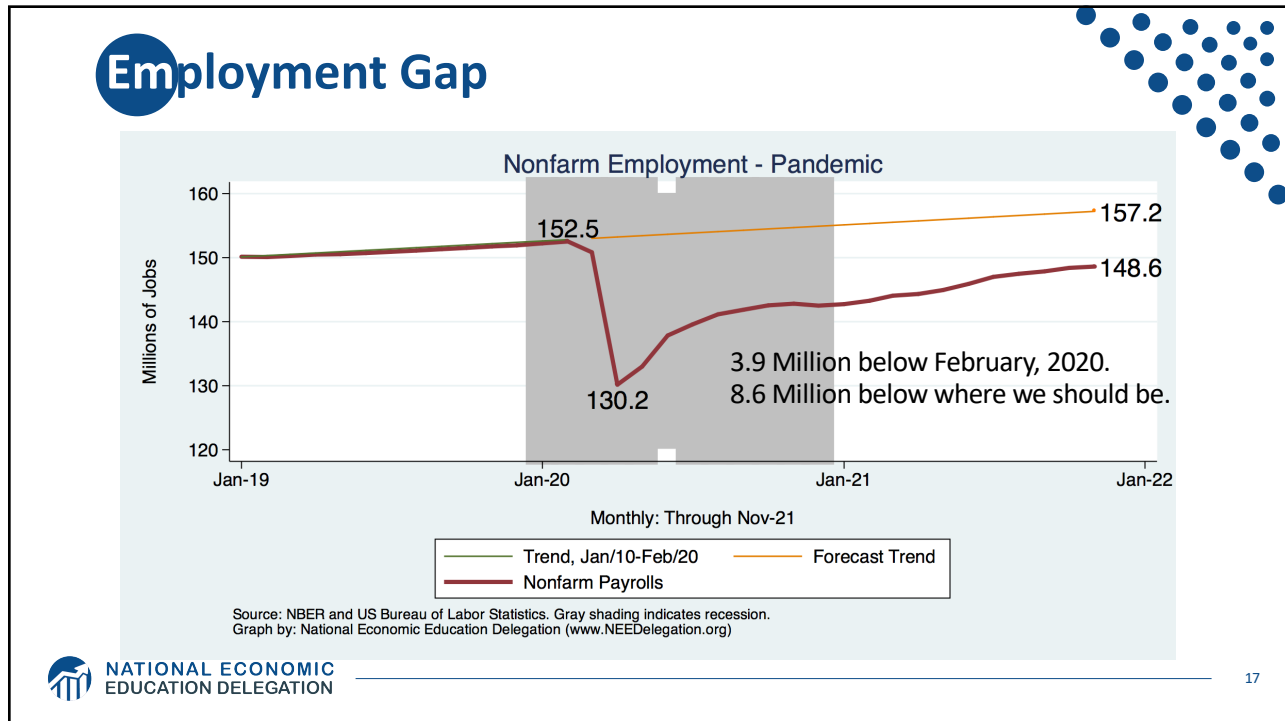


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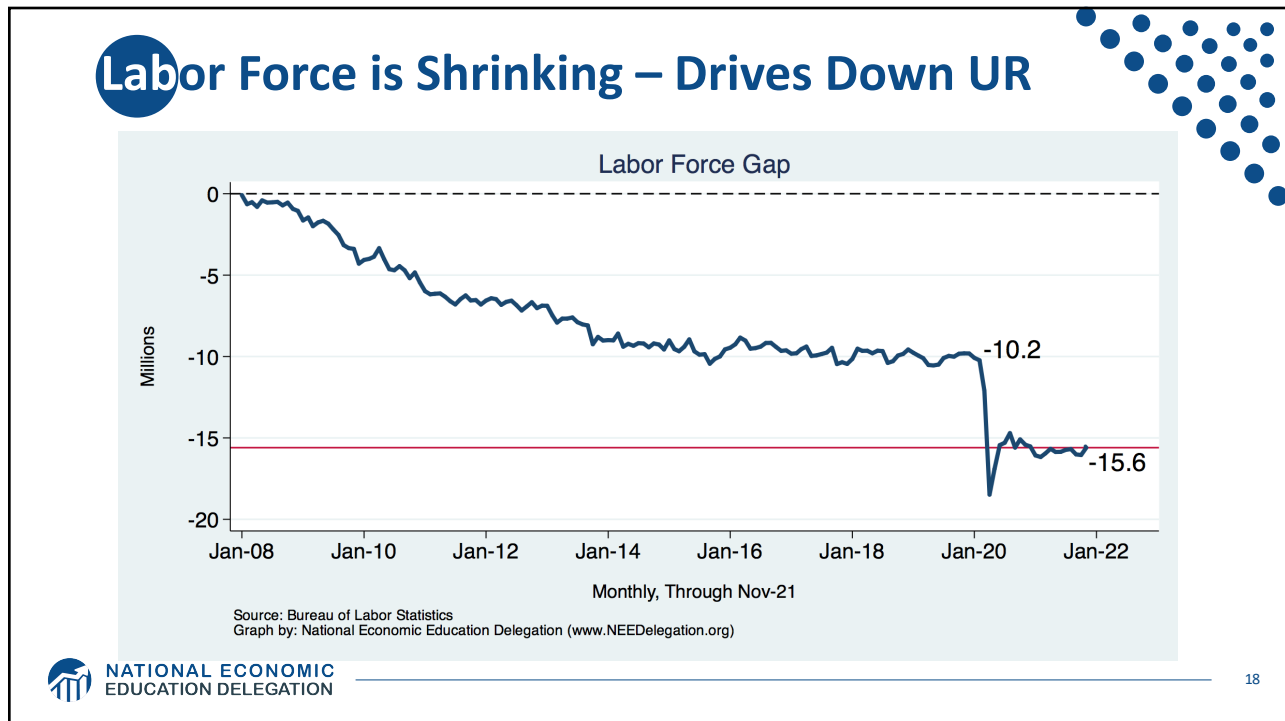
Monthly Changes in Nonfarm Employment



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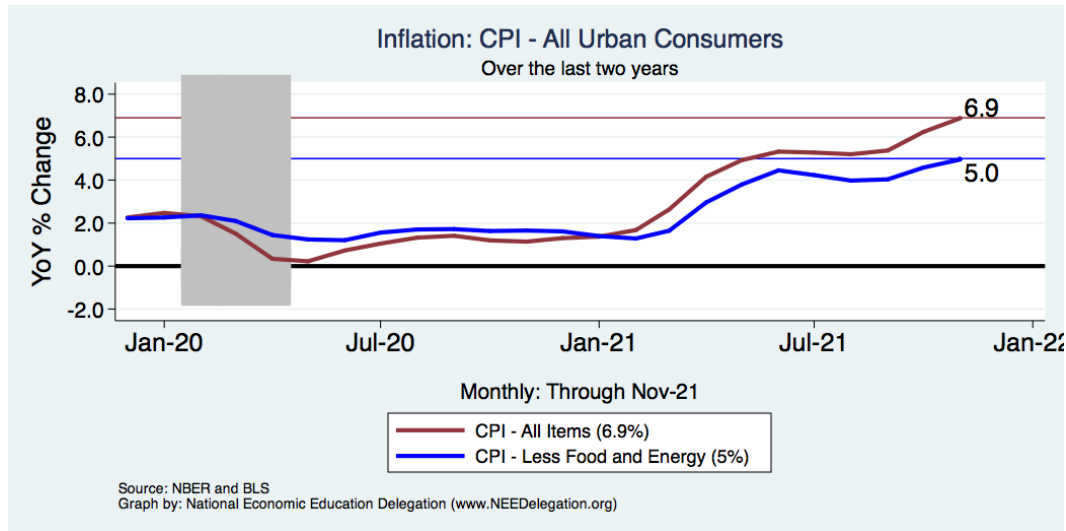


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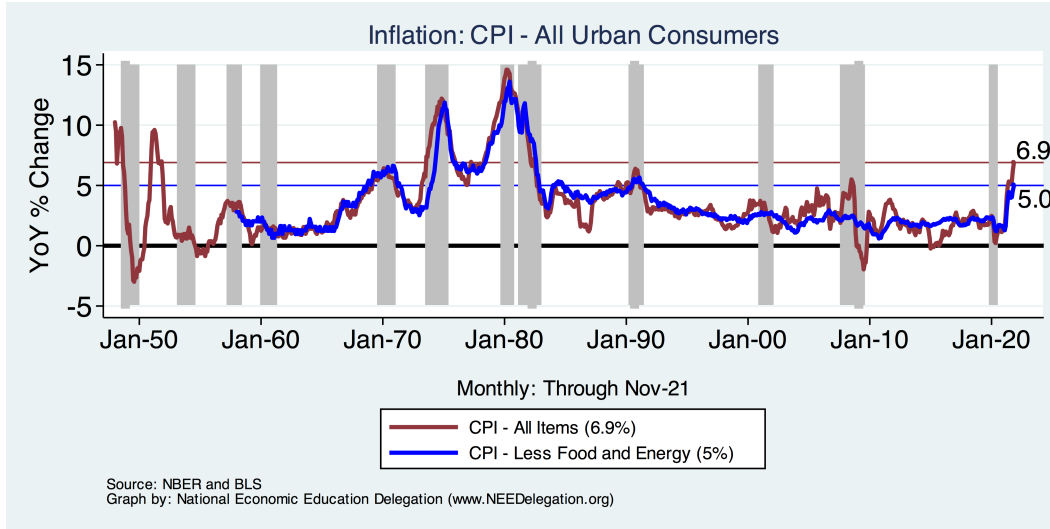
Hot Topics

- Inflation
- Great resignation
- Structural changes

Inflation – Climbing! Should we worry?

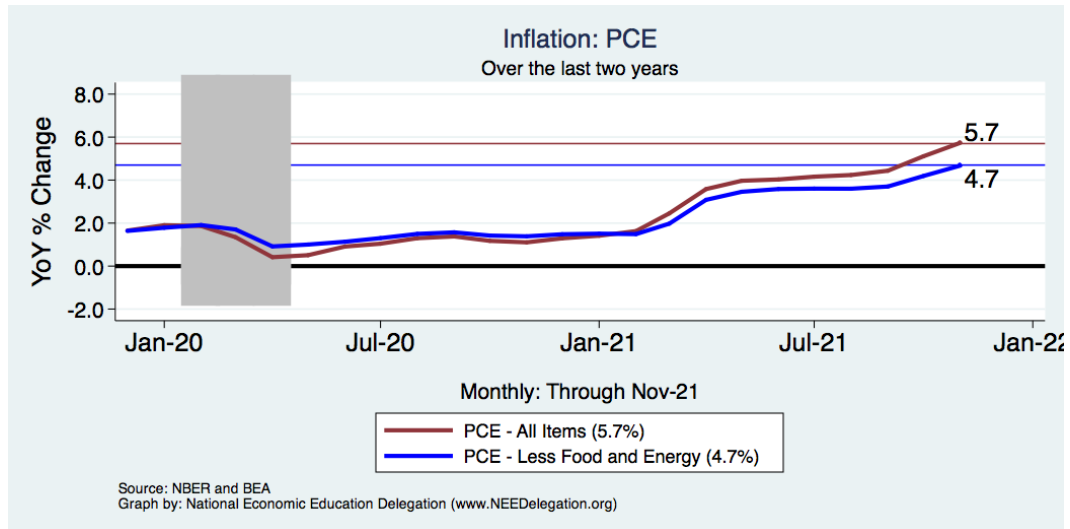


Inflation in Historical Perspective



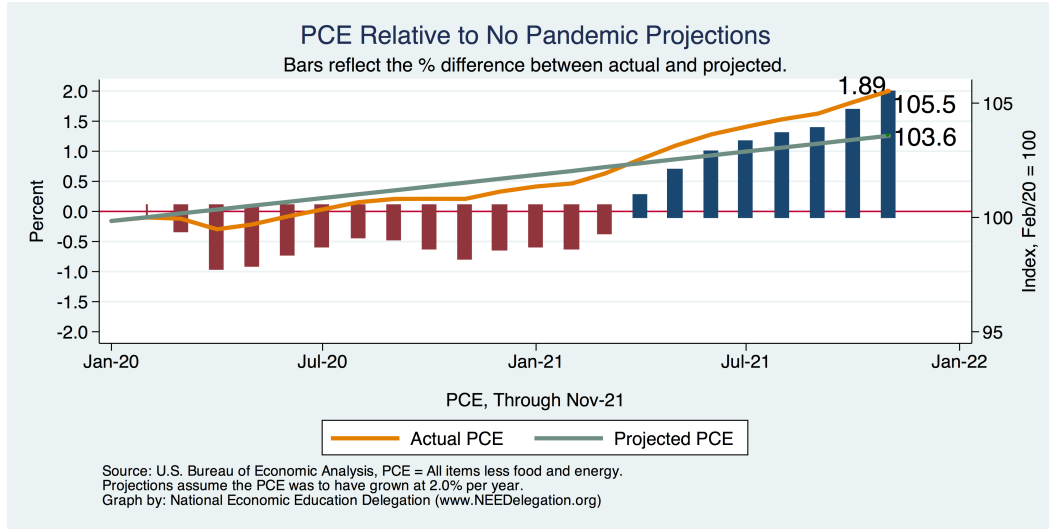
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Inflation – The Fed’s Metric! Should we worry?



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



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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



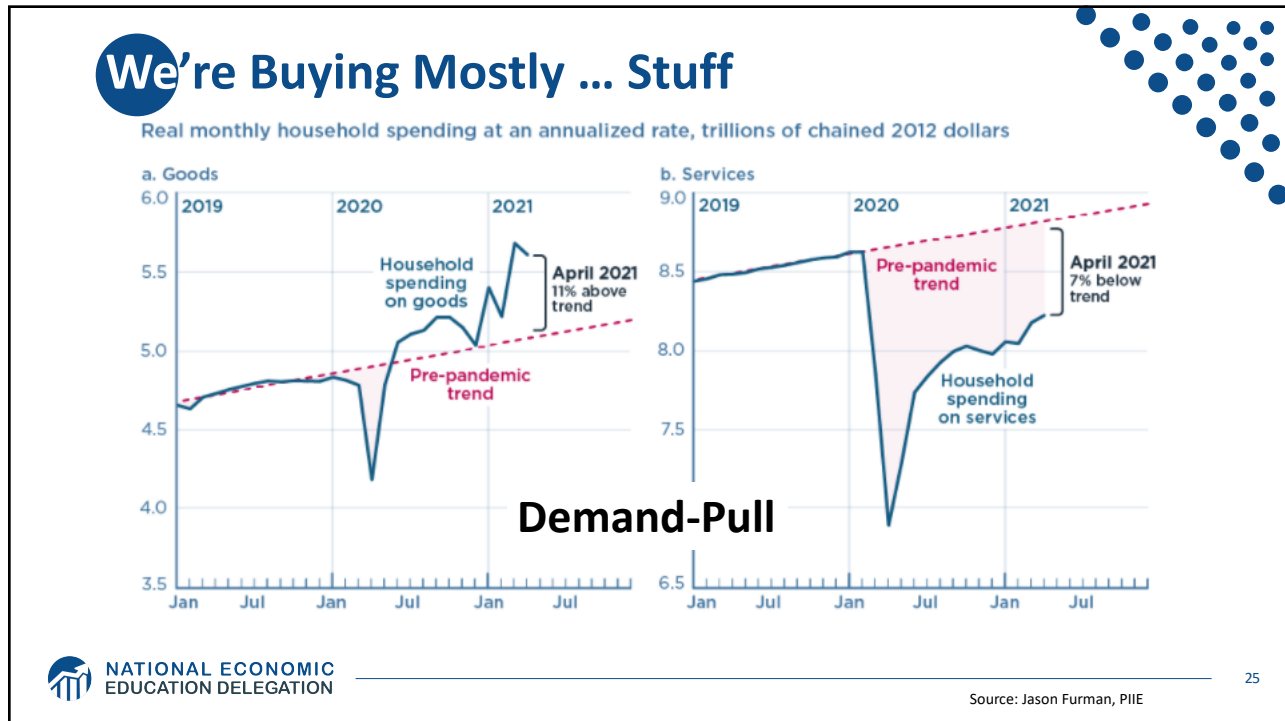
When production costs increase prices.

Built-In

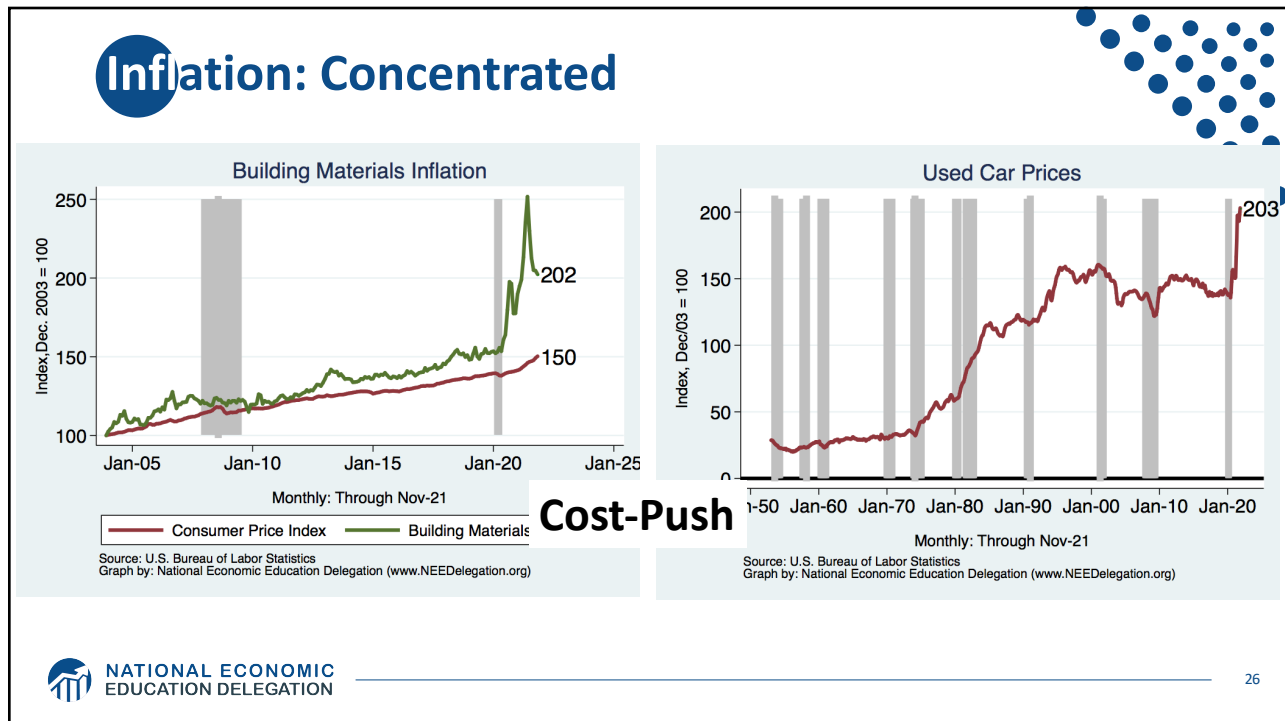


When prices rise, wages rise too, in order to maintain living costs.

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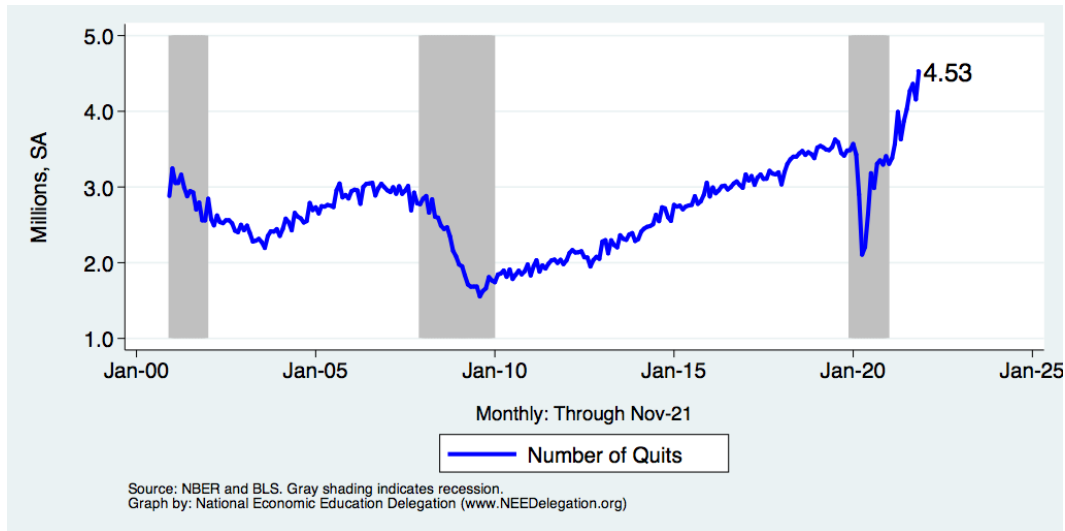


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The Great Resignation

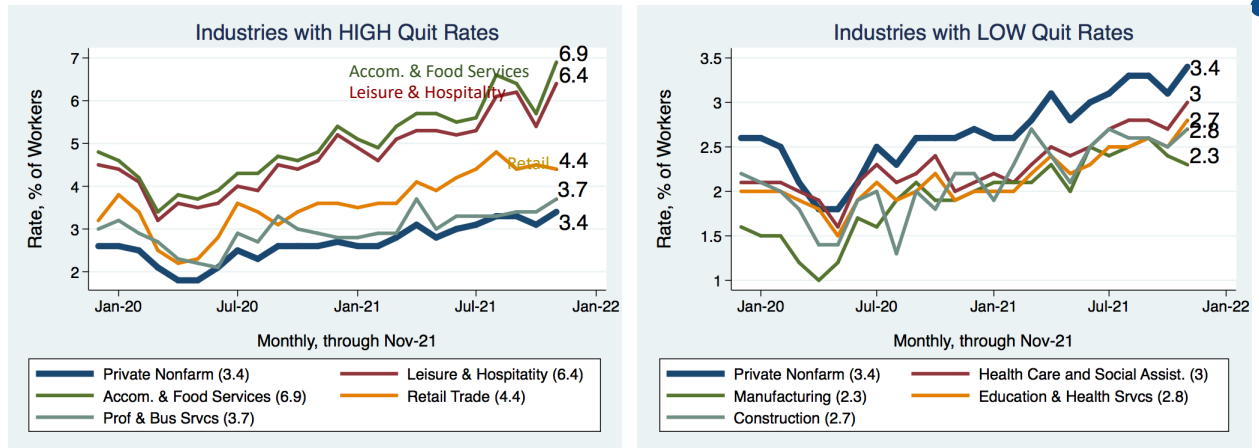
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Quits Are High! The Great Resignation



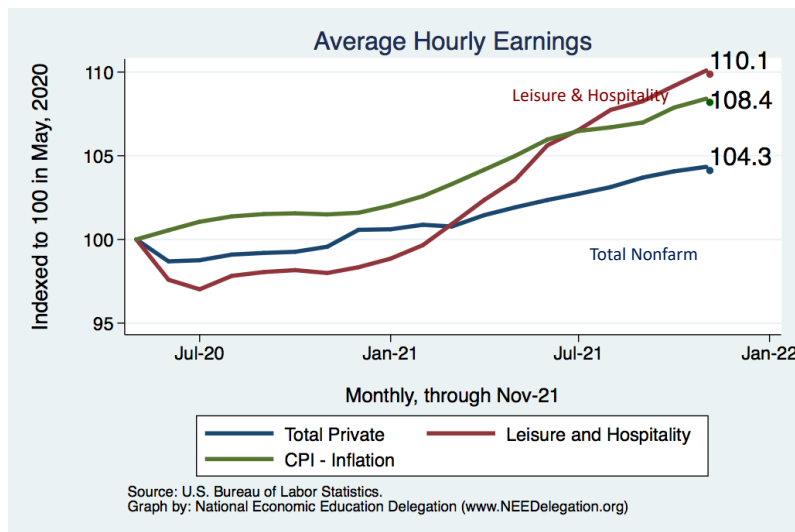
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Quits – Rising, but More in Some Industries



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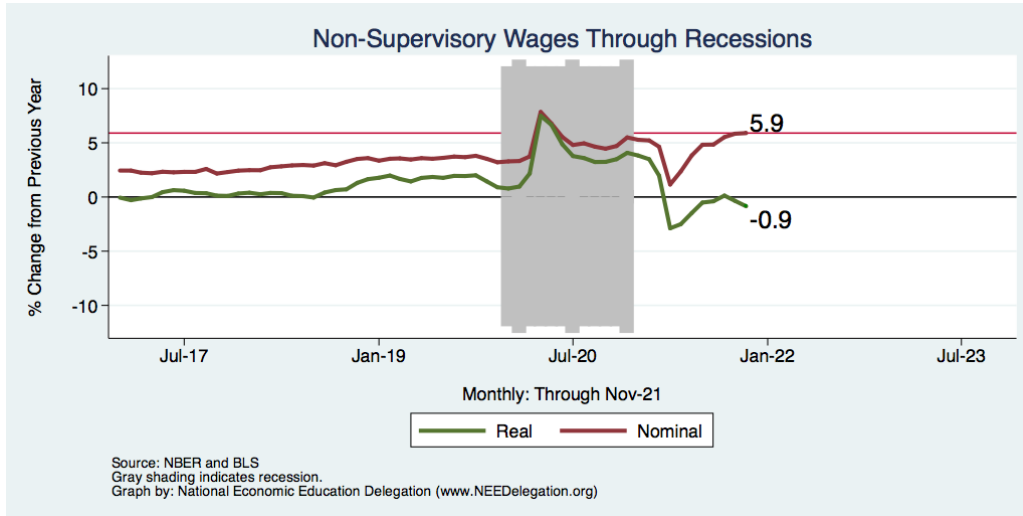
This is Happening Despite Rising Wages



Source: U.S. Bureau of Labor Statistics.
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

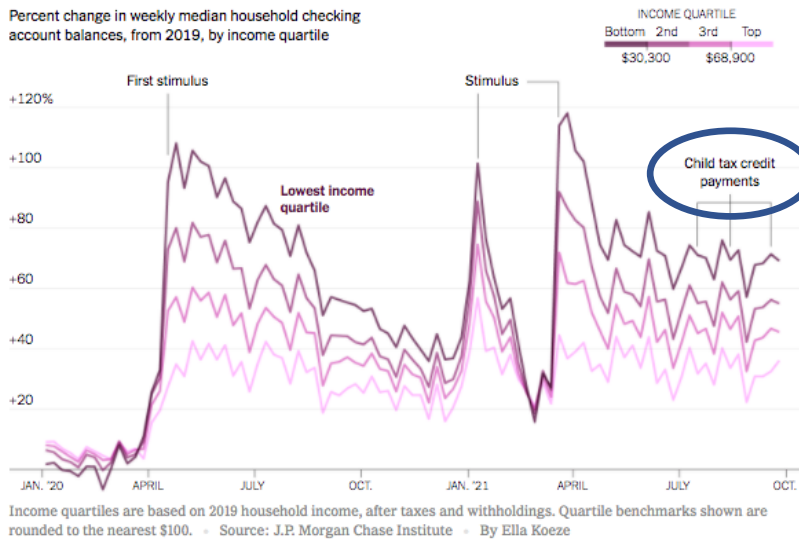
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Inflation Adjusted Wages Are Falling



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Declining Resources May Change Things



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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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Primary Topics Covered

- **GDP**
 - Recovered the decline, but not where it should be.
 - Won't recover previous forecast until late 2022.
- **Employment**
 - Still down 8.6 million jobs relative to forecast. (3.9 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?



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Conclusion

- Recovery is well underway, but may be slowing.
- Significant structural changes – accelerant.
- GDP will likely have expanded 5% percent in 2021, 3-4% in 2022.
- Physical health determines economic health for the economy.
 - Well on our way to recovery, both health and economic.
 - Variants may well slow our progress: Omicron.
 - Gov't missteps may also hinder progress.
- Biggest problems:
 - Supply chain bottlenecks.
 - Labor force participation.



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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.



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Thank you!

Any Questions?

www.NEEDelegation.org

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www.NEEDelegation.org/LocalGraphs

For every state and county in the United States.

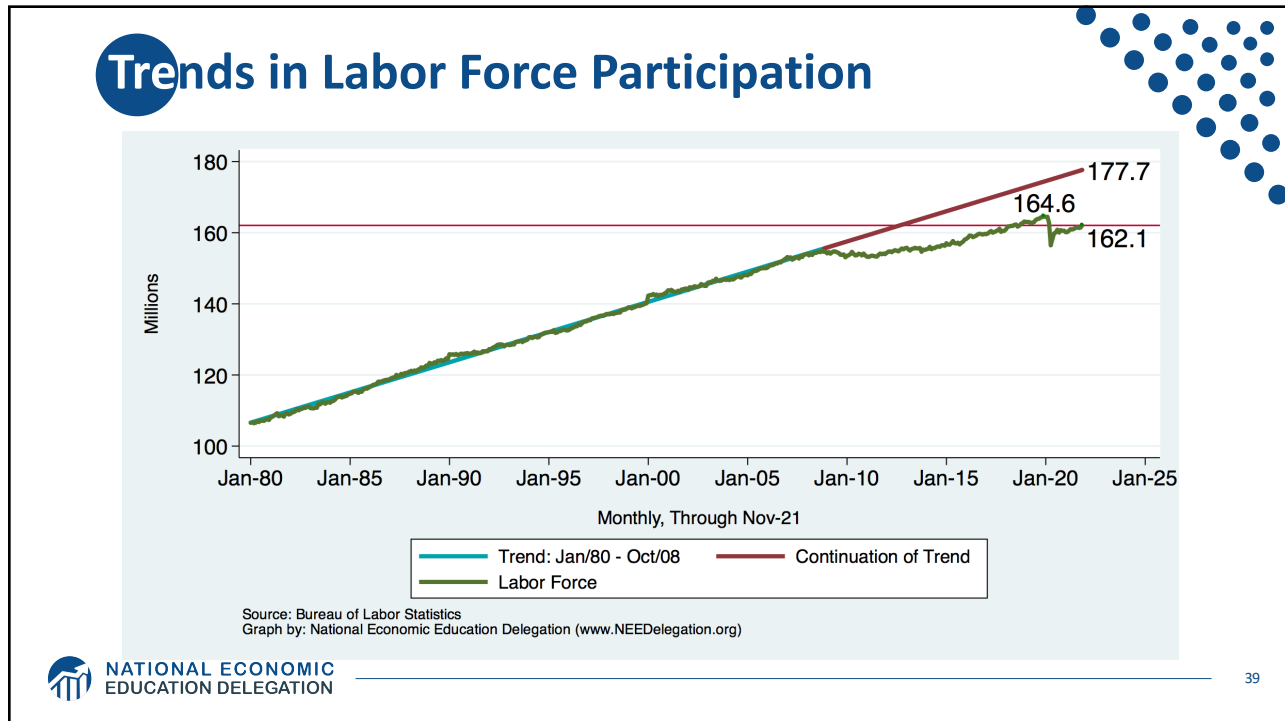
Detailed graphs on employment, housing, moves, and other statistics.



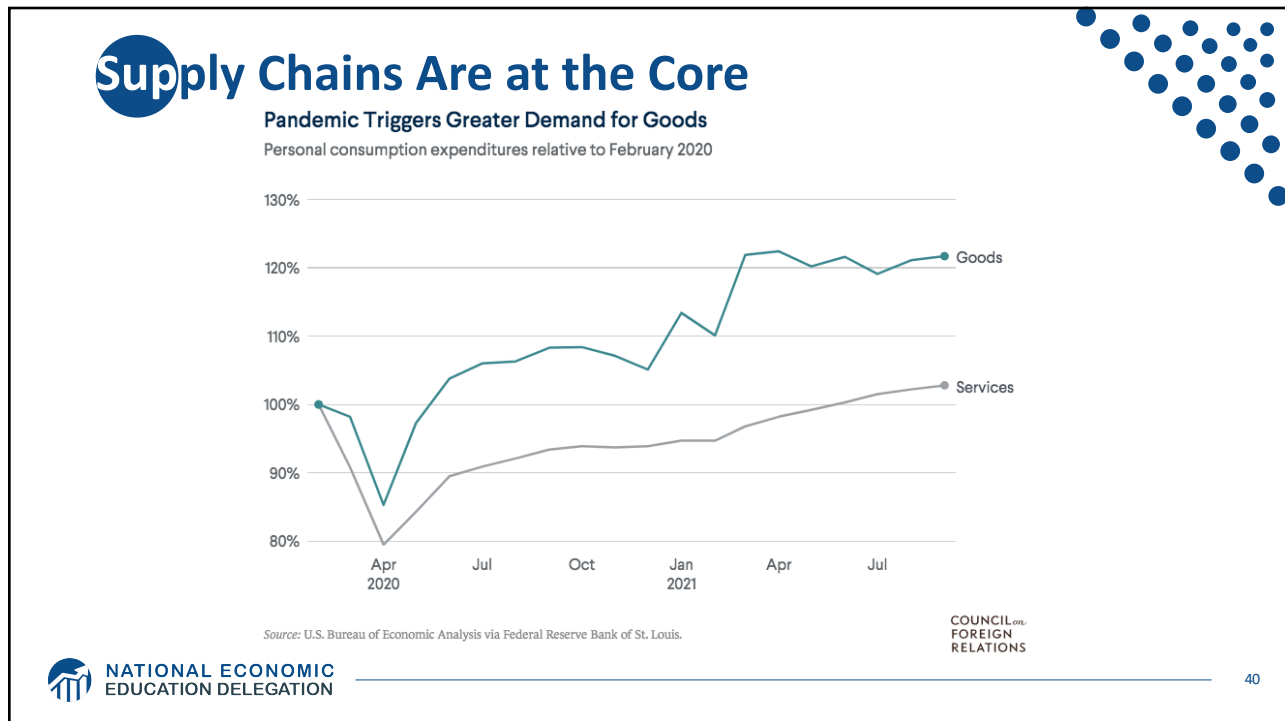
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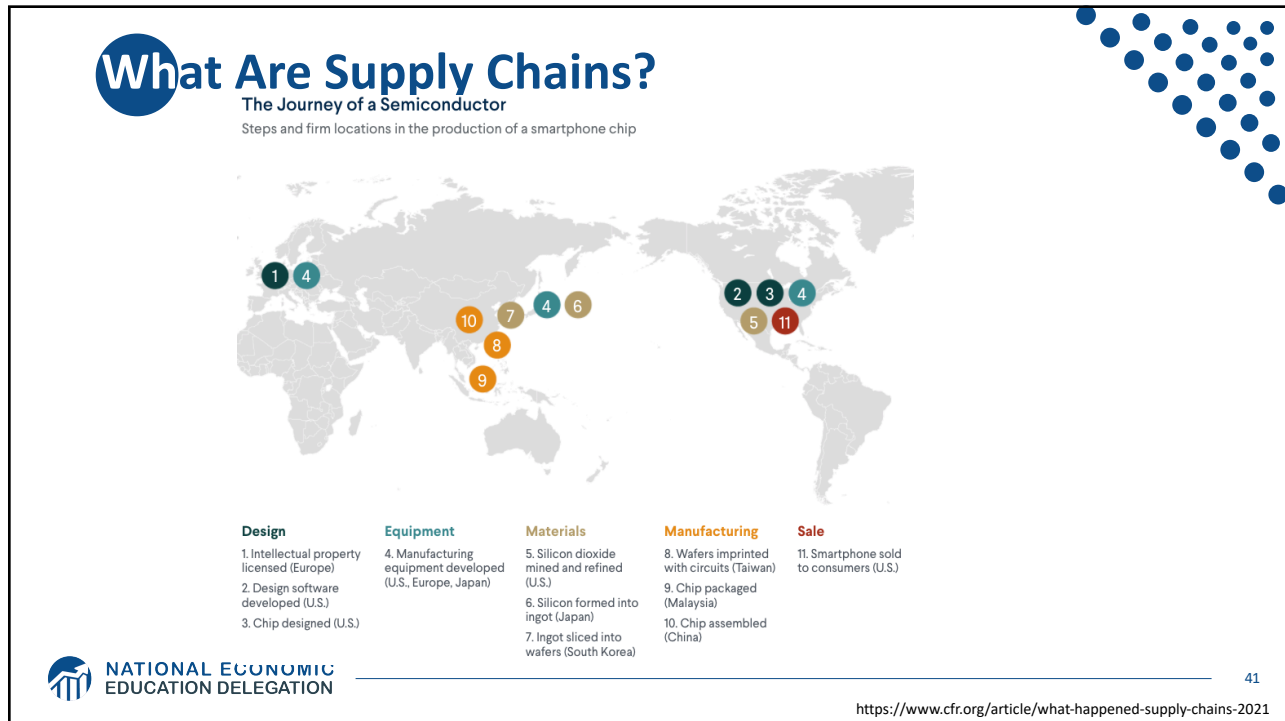
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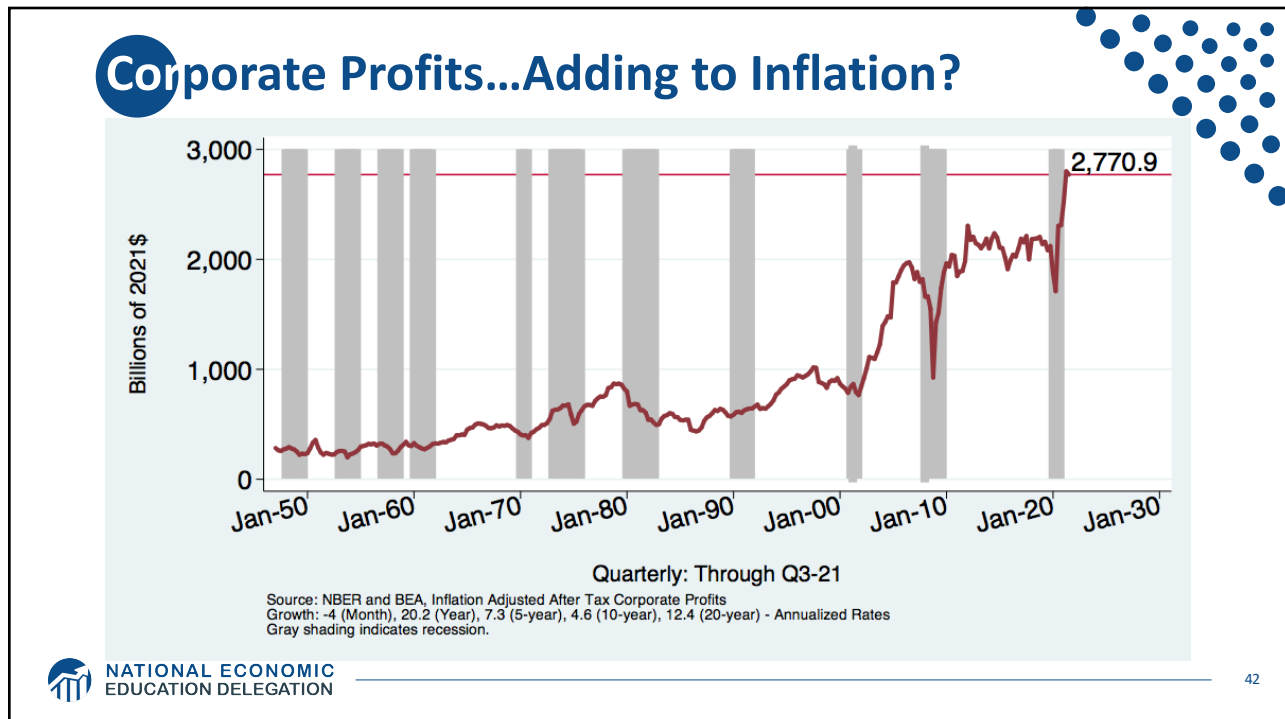
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Puzzle: Is Inflation Permanently Higher?

- **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.**



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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.**



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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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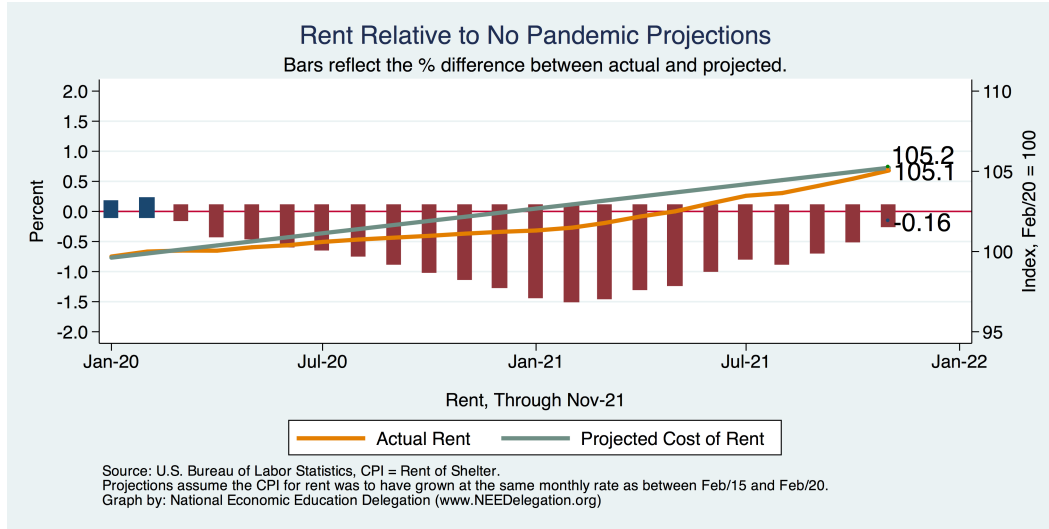
Residential Real Estate

- **Rental markets**
 - Eviction moratoria are over.
 - o CA: Making payments can stay + 25%.
 - o Self-evictions?
 - Not enough in the American Rescue Plan.
 - Reports of rents rising significantly.
- **Owned homes**
 - Depends on location.
 - o San Francisco – recovering.
 - o Los Angeles County – continued strength.
 - Size matters: large homes are selling particularly well.



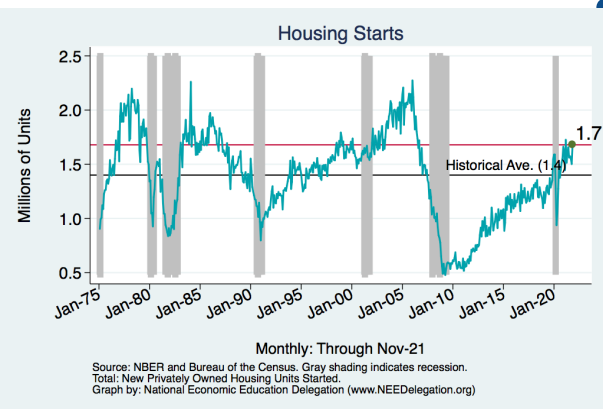
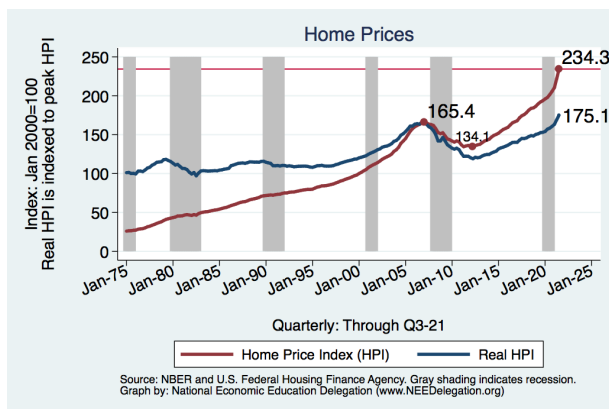
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Inflation – Cost of Rent



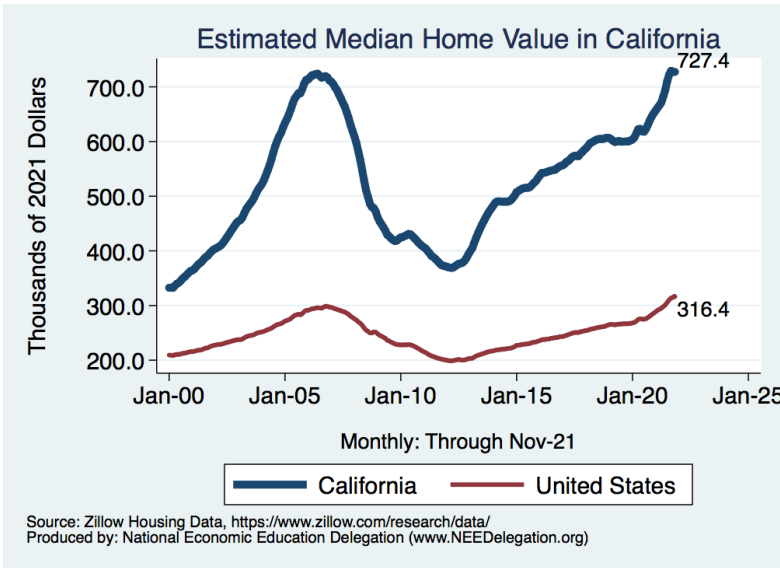
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Home Prices and Housing Starts



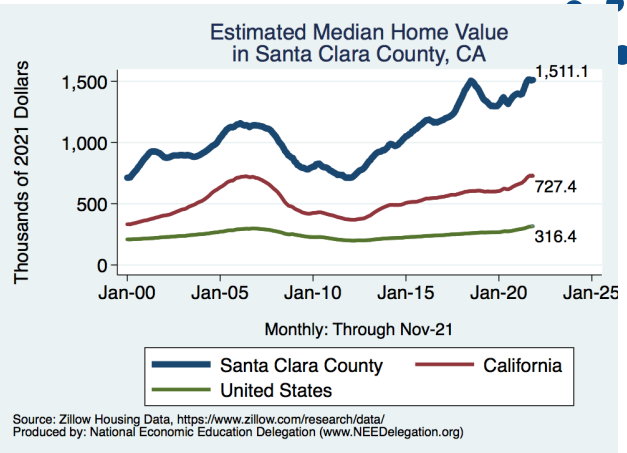
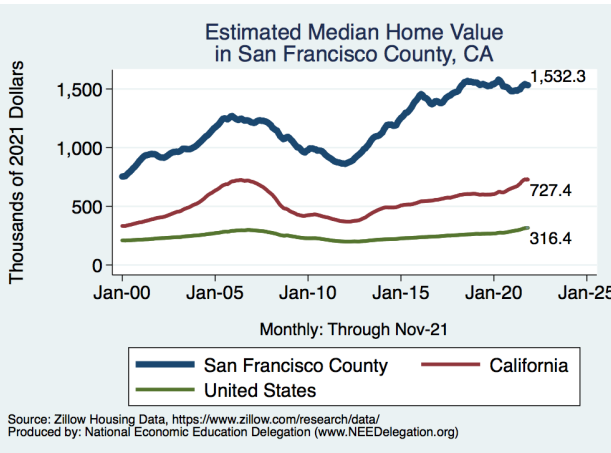
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Real Estate Prices



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RE Experiences Differ!



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