



AN ECONOMIC LOOK AT THE SHUTDOWN AND RECENT EVENTS

TaxForward, 2020

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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: 52 members**

- 2 Fed chairs: Janet Yellen, Ben Bernanke
- 6 chairs of the 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: 525 members**

- At all levels of academia and some in government service
- All have a PhD in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 44 PhD Economists**

- Aid in slide deck development



3

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).



4

Available NEED Topics Include:

- US Economy
- Economic Inequality
- Climate Change
- US Social Policy
- Trade and Globalization
- Economic Mobility
- Trade Wars
- Housing Policy
- Federal Budgets
- Federal Debt
- 2017 Tax Law
- Autonomous Vehicles

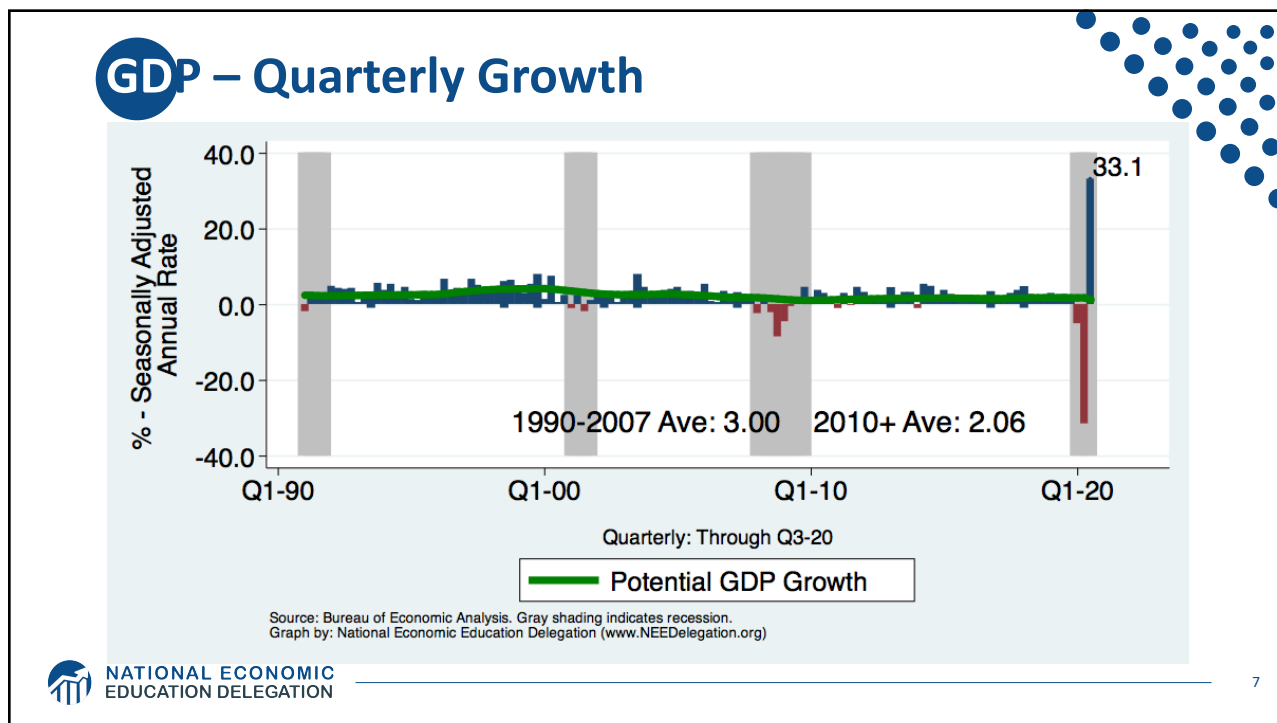
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Spending is (was?) on the Rise

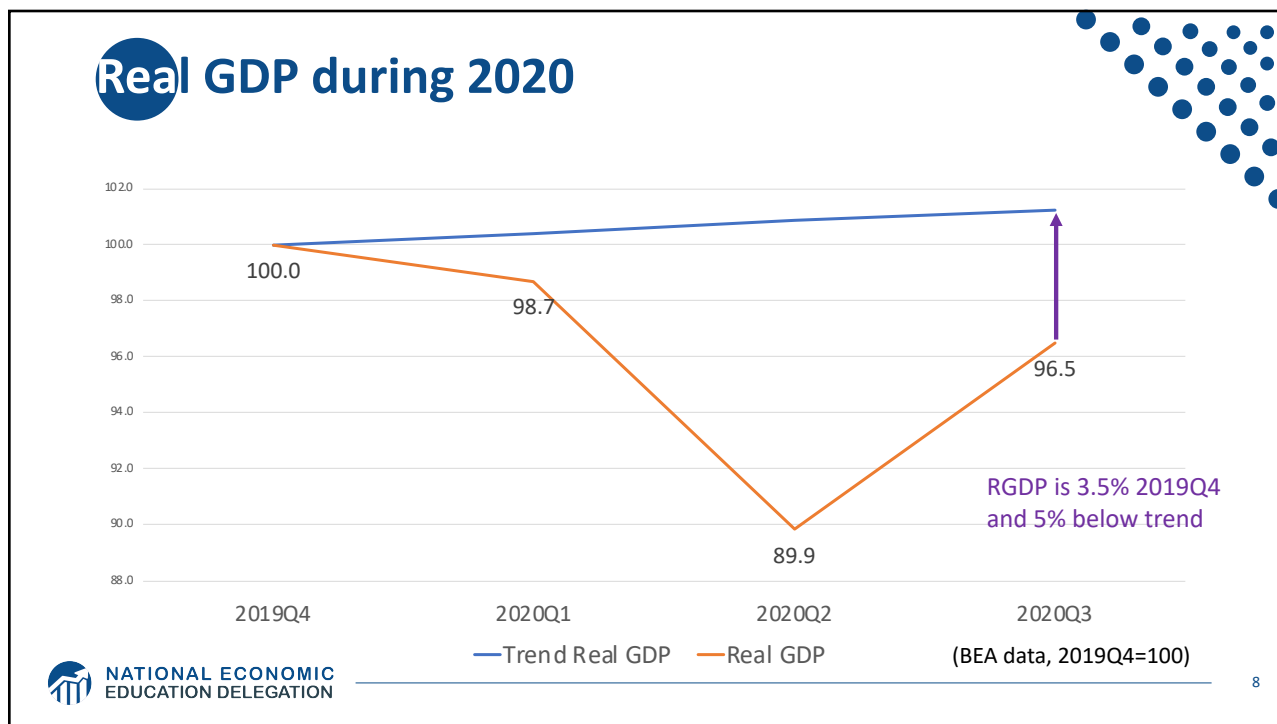
In the United States, as of November 01, 2020, total spending by all consumers decreased by **6.4%** compared to January 2020.



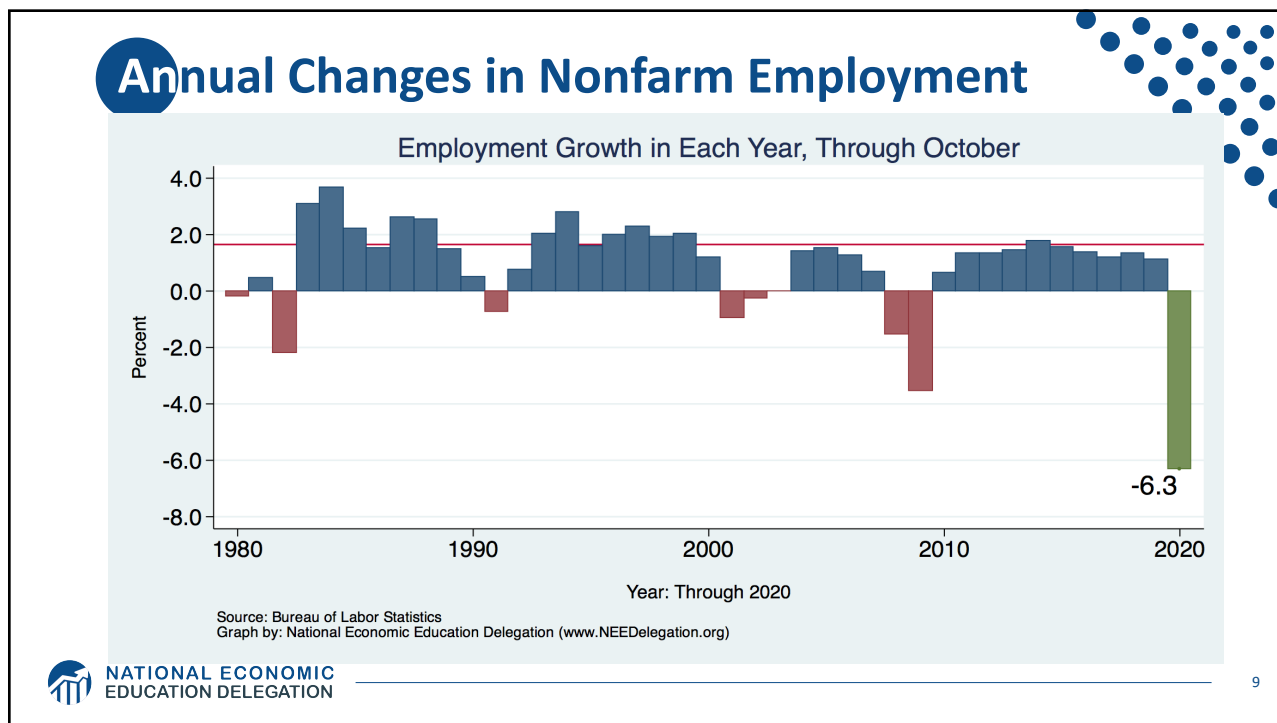
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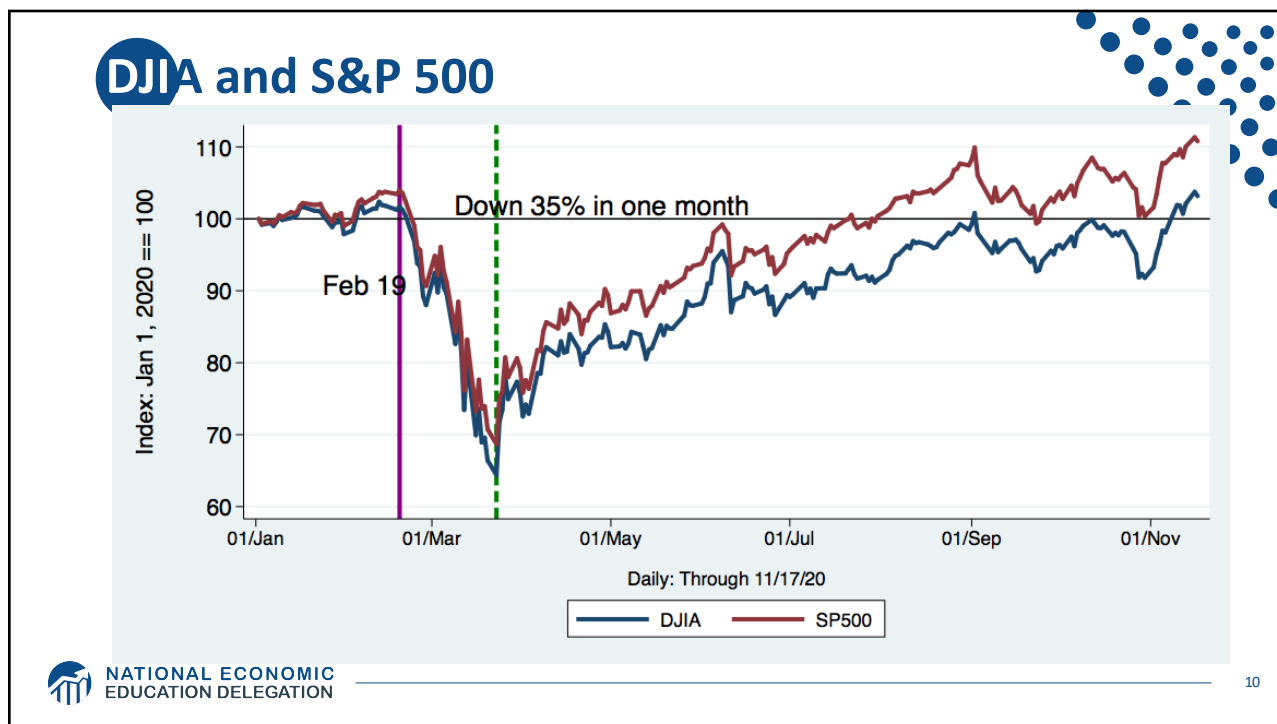
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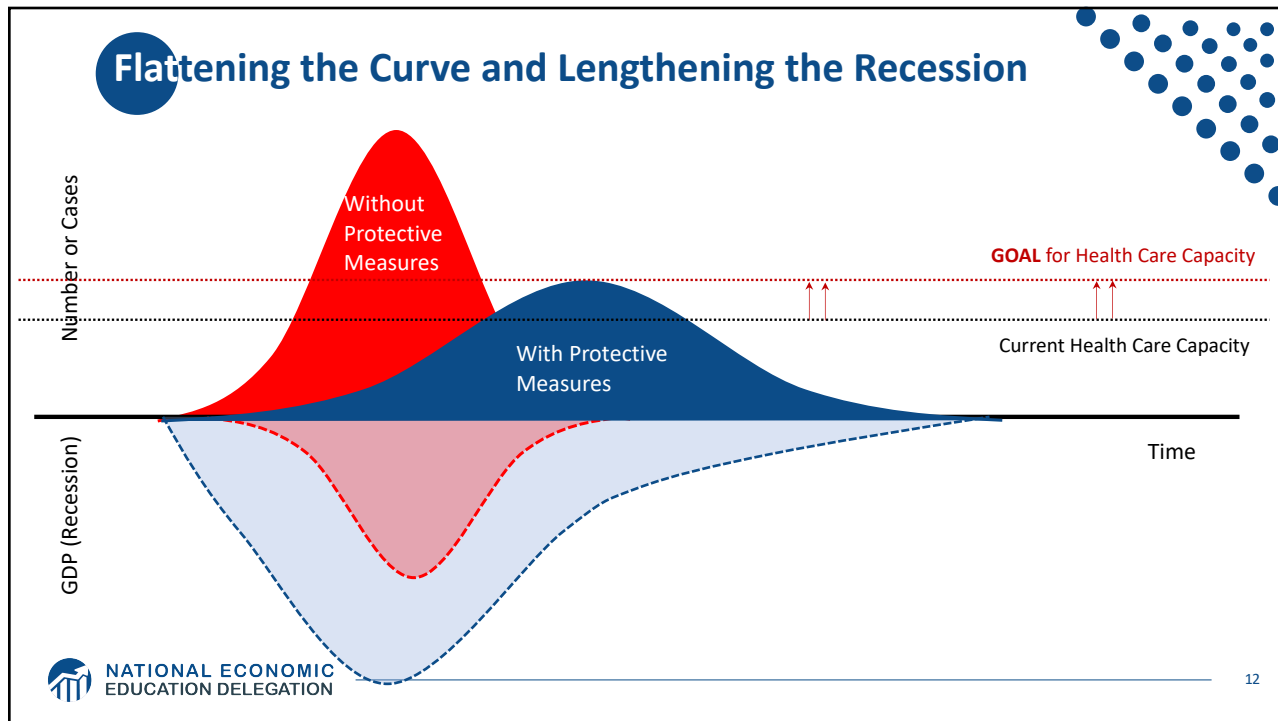
A Tale of Three Policies Efforts

- Social policy: Social Distancing
- Monetary Policy
- Fiscal Policy

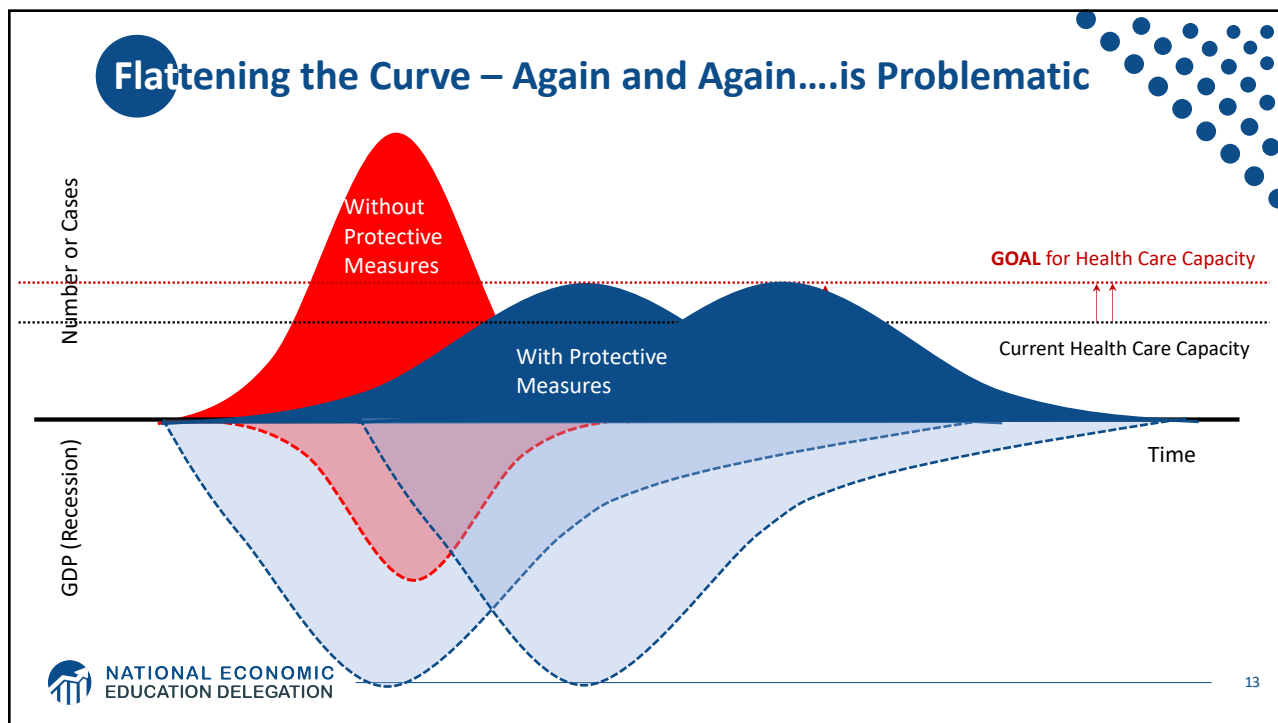
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11

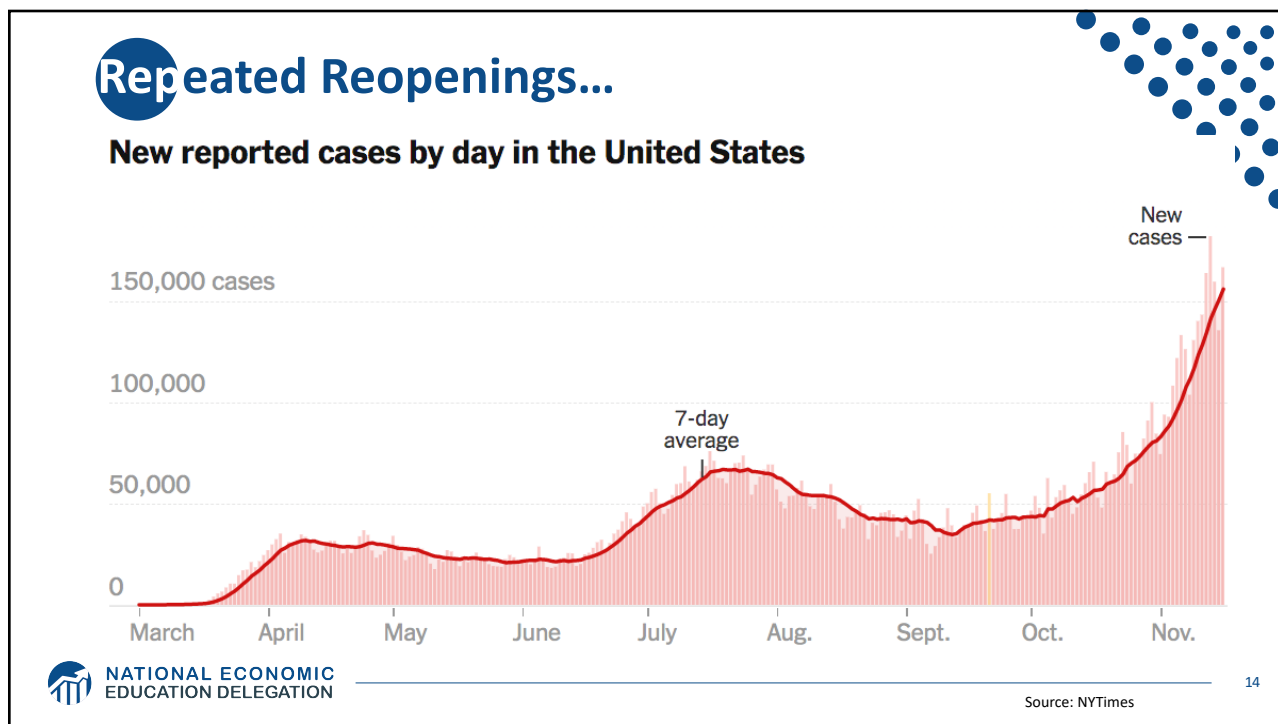
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13



14

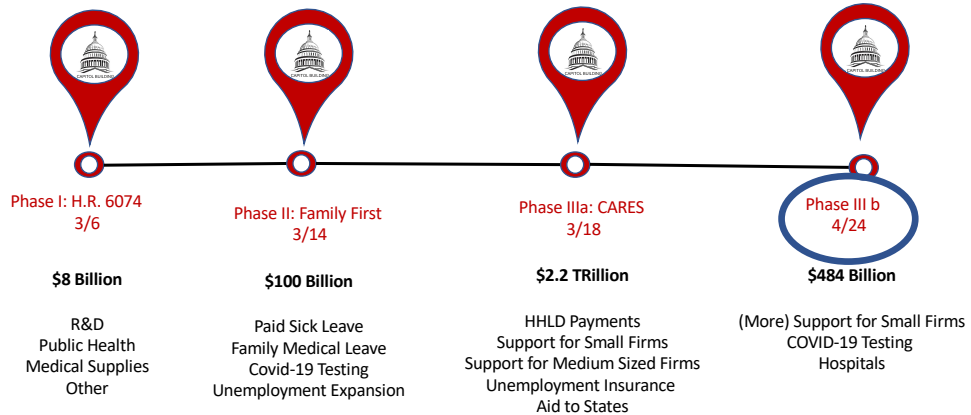
Monetary Policy – Federal Reserve

- **Two primary objectives**
 - Stabilize the economy
 - Maintain liquidity of the system

- **Actions in three forms:**
 - Traditional interest rate stimulus
 - Inject cash into the system
 - Shore up existing debt and structures

15

Fiscal Policy Timeline – Social Insurance



16

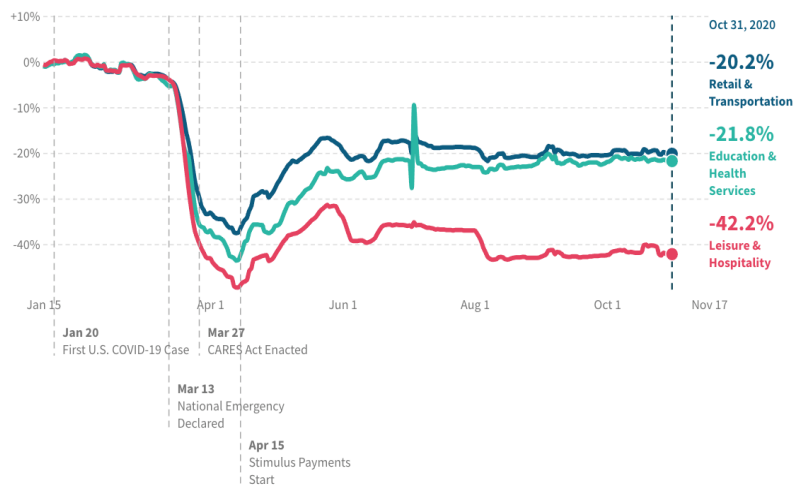
There is an Enormous Fiscal Policy Gap

- The last time Congress acted was April 24.
- Unemployment payments are not sufficient.
- Low wage workers are in trouble.
- Small businesses are struggling.
- Renters can't pay rent.
- Lines at food banks are very long.
- States and local governments are slashing budgets.

17

Small Businesses are Struggling

In the United States, as of October 31 2020, the number of transportation and trade small businesses open decreased by **20.2%** compared to January 2020.



18

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**



Stumbling Blocks to Stimulus Package

- **General Aid to State and Local Governments.**
 - D = yes R = no
- **Liability Protection for Firms against Covid law suits.**
 - D = no R = yes
- **Can a stimulus bill of more than \$1 trillion pass the Senate?**
 - D = yes R = no



Conclusion

- **COVID-19 is health crisis that has macroeconomic implications.**
 - With enormous built-in inequities.
- **GDP will likely contract between 3.0 and 6.0 percent this year.**
 - Positive growth will likely return in 2021
- **Gov't spending induced growth in Q3**
 - Spending has stopped.
- **Policy gap will create enormous hardship.**
 - Hunger, evictions, foreclosures, additional deaths.
 - Loss of GDP: 4-5% Unemployment: up 4-5 pts.
- **It might just be time to shut down again.**
 - For both our health and the economy.

21

Thank you!

Any Questions?

www.NEEDelegation.org

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22