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How Should Governments Respond to the COVID-19 Economic Crisis?

Adam Pellillo PhD

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How Should Governments Respond to the COVID-19 Economic Crisis?

Explorer Café, Wednesday, September 30

Adam Pellillo, Economics Department (pellillo@lasalle.edu)

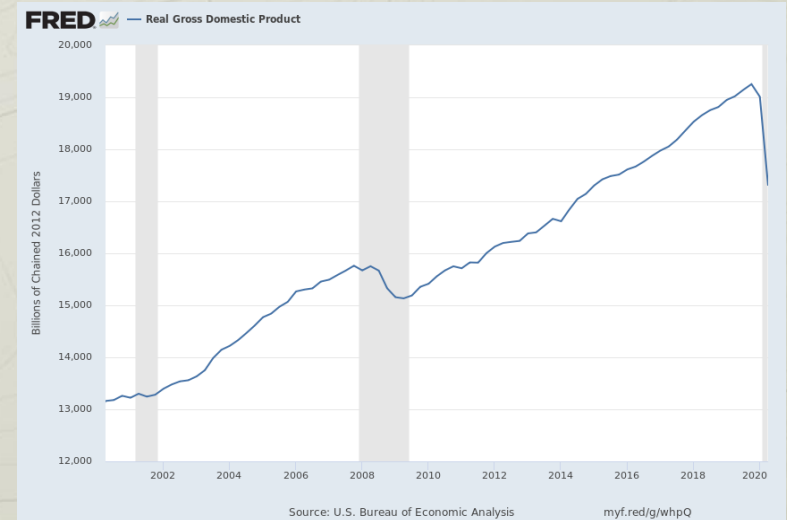
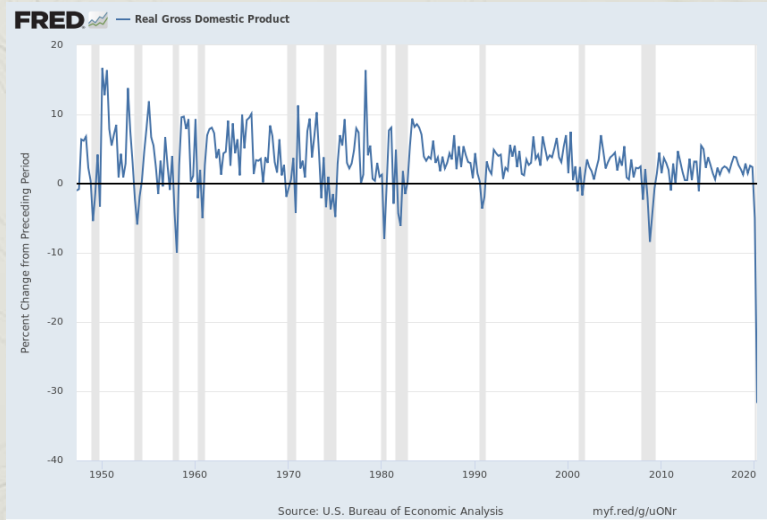


- Background on the economic impact of the COVID-19 pandemic and policy responses to date
- Lots of charts! (It's the economist's way...)
- But also, hopefully, lots of discussion (via Zoom, and via the Zoom chat box, which I will monitor closely); please feel free to ask questions at any time
- In about 15 minutes: small-group discussions on how governments could support households, workers, businesses, and nonprofits during the COVID-19 recession and promote a rapid and inclusive post-COVID economic recovery

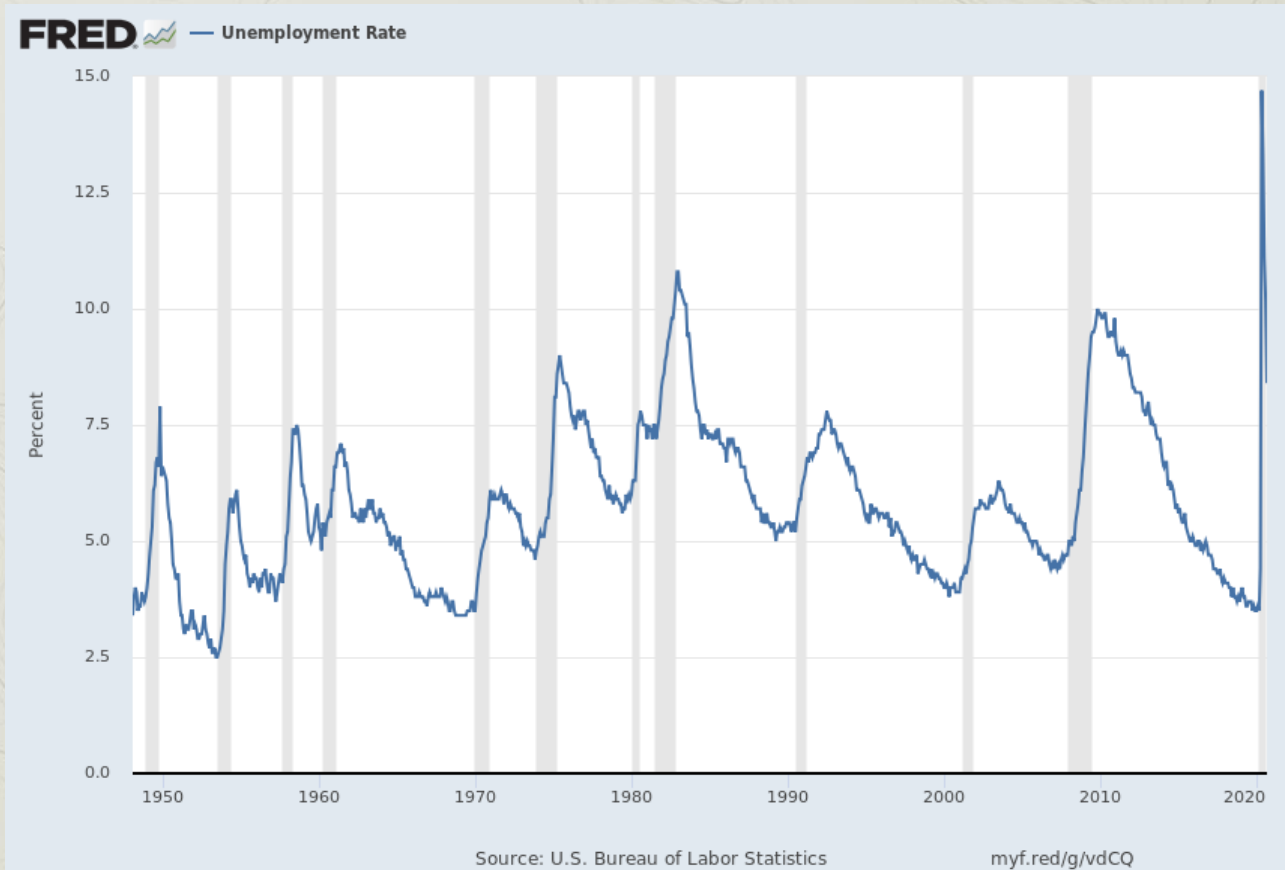




The COVID-19 pandemic—and the public health measures taken to contain its spread—led to a sharp decline in economic activity...

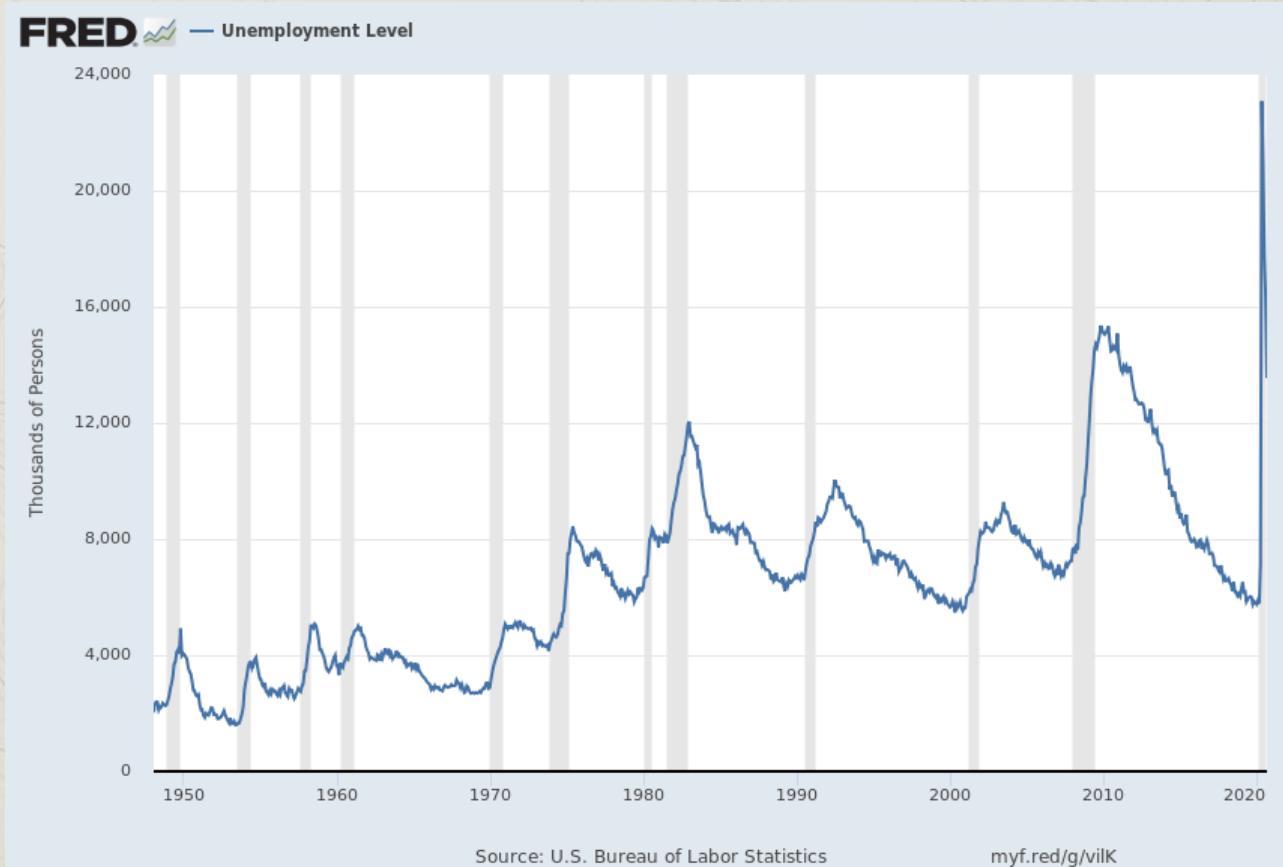


 ...and a substantial rise in the unemployment rate.



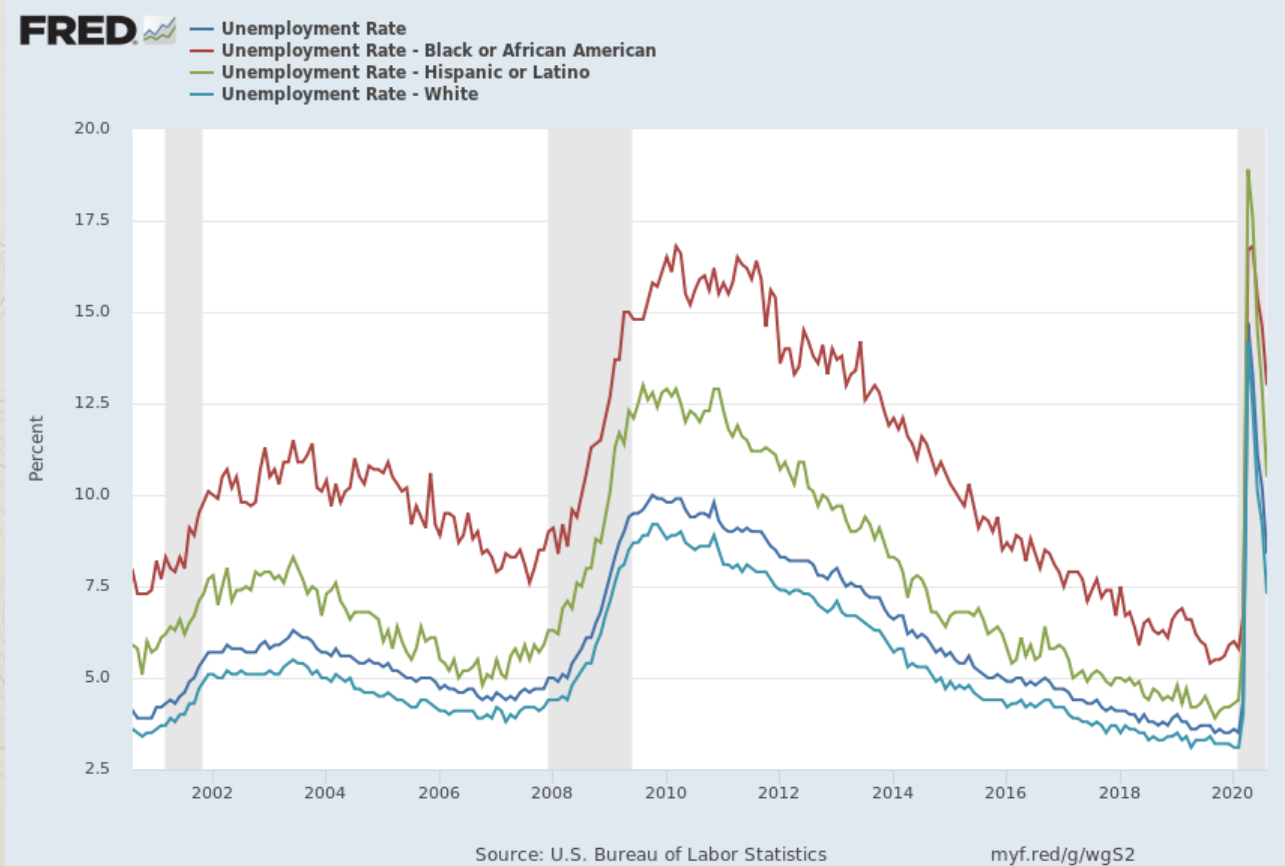


In April, more than 23 million people were unemployed; that figure has fallen below 14 million as of August.



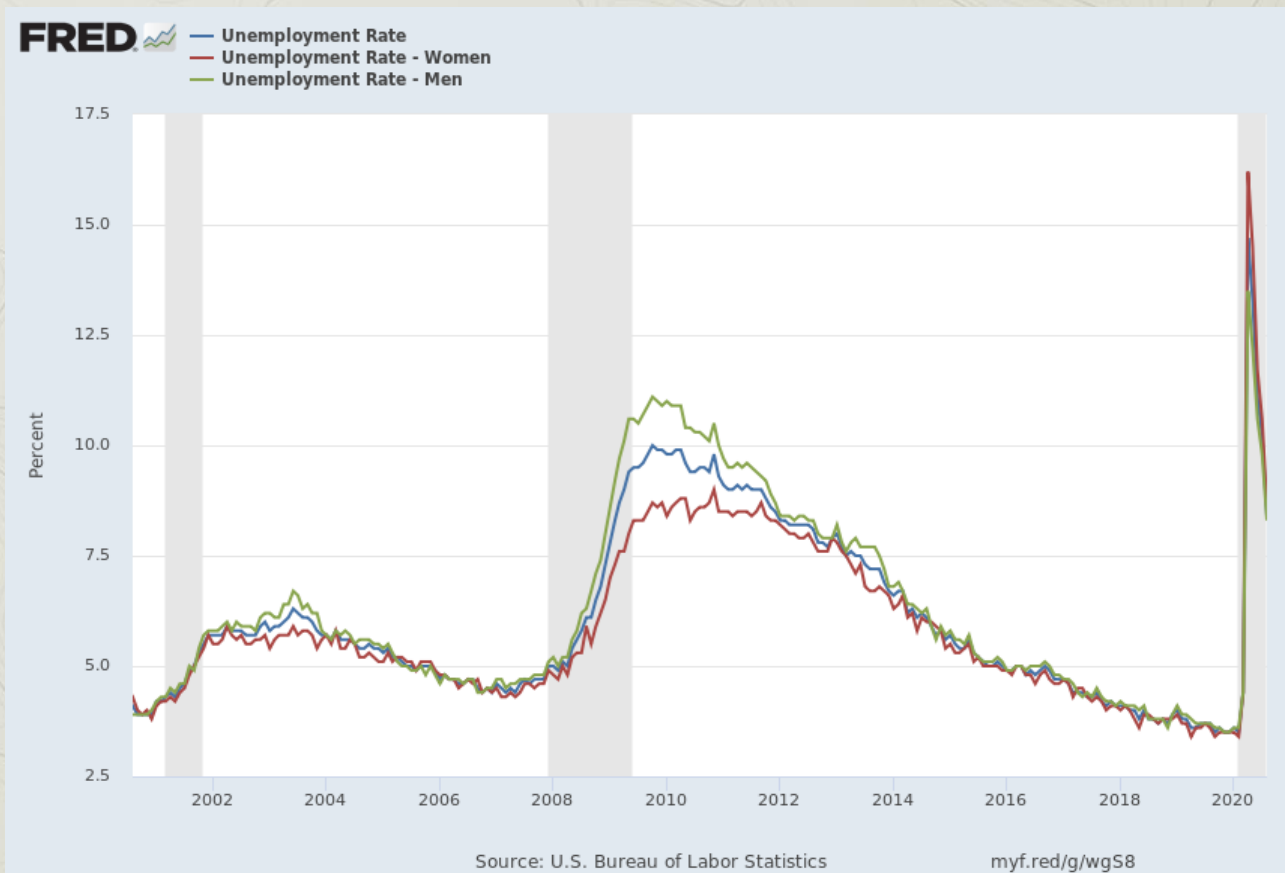


However, the aggregate unemployment rate masks variation in unemployment by race...



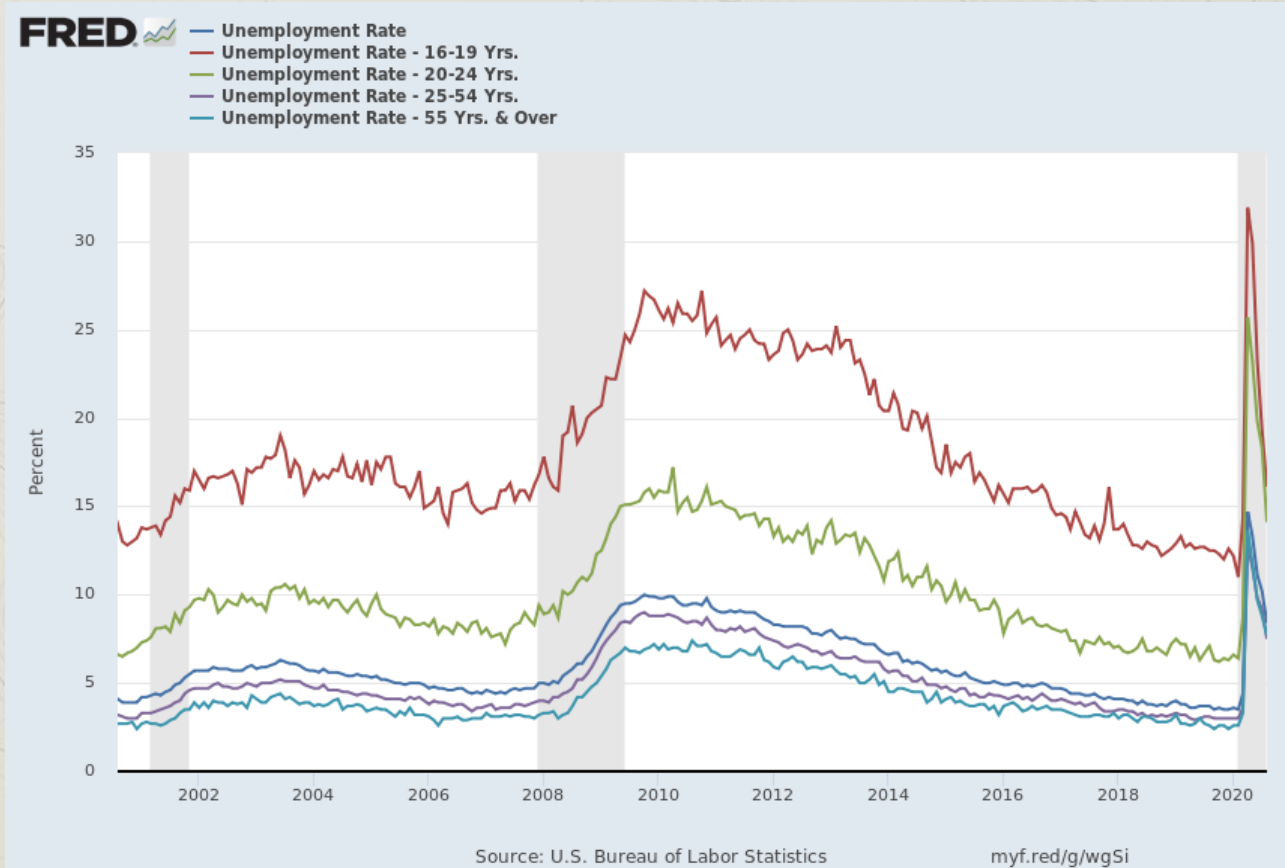


...gender...



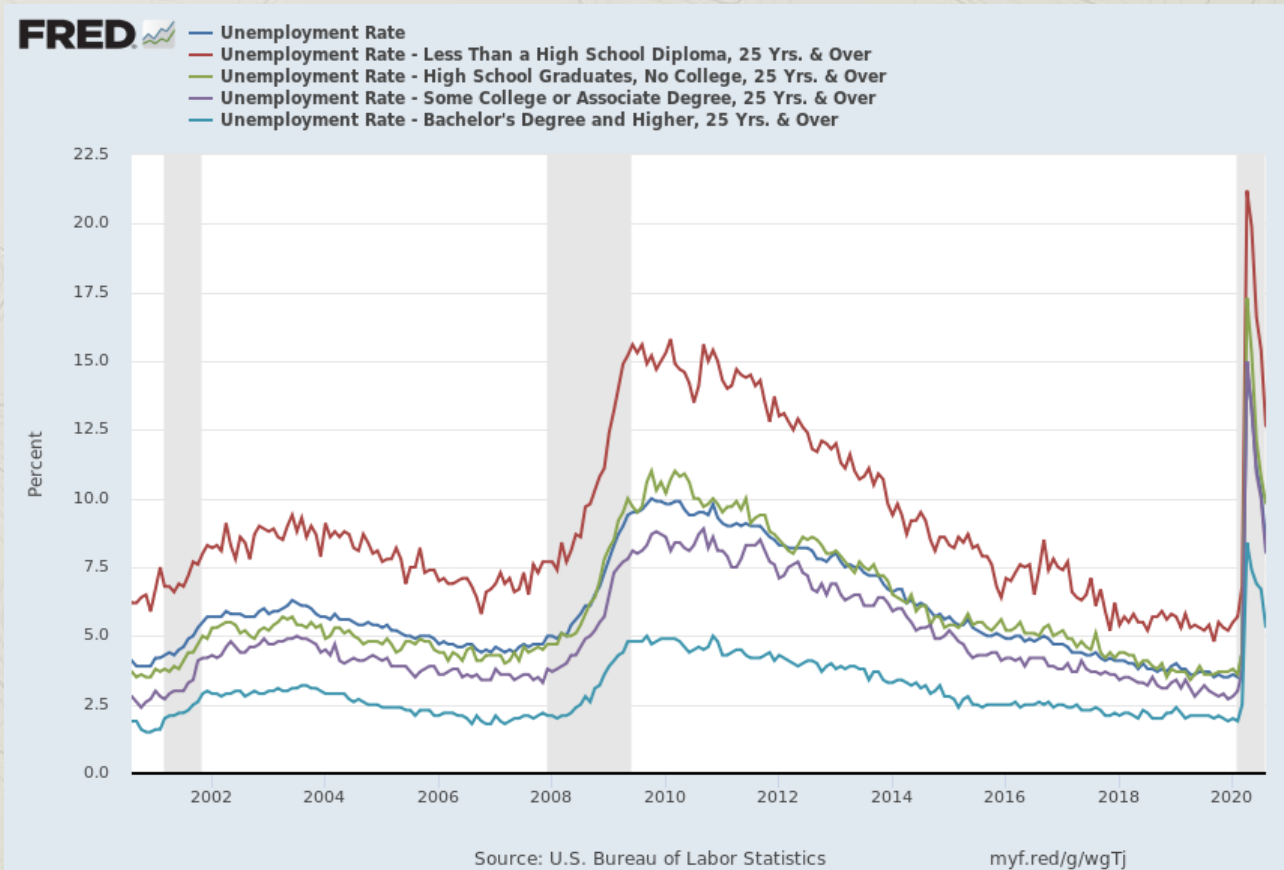


...age...



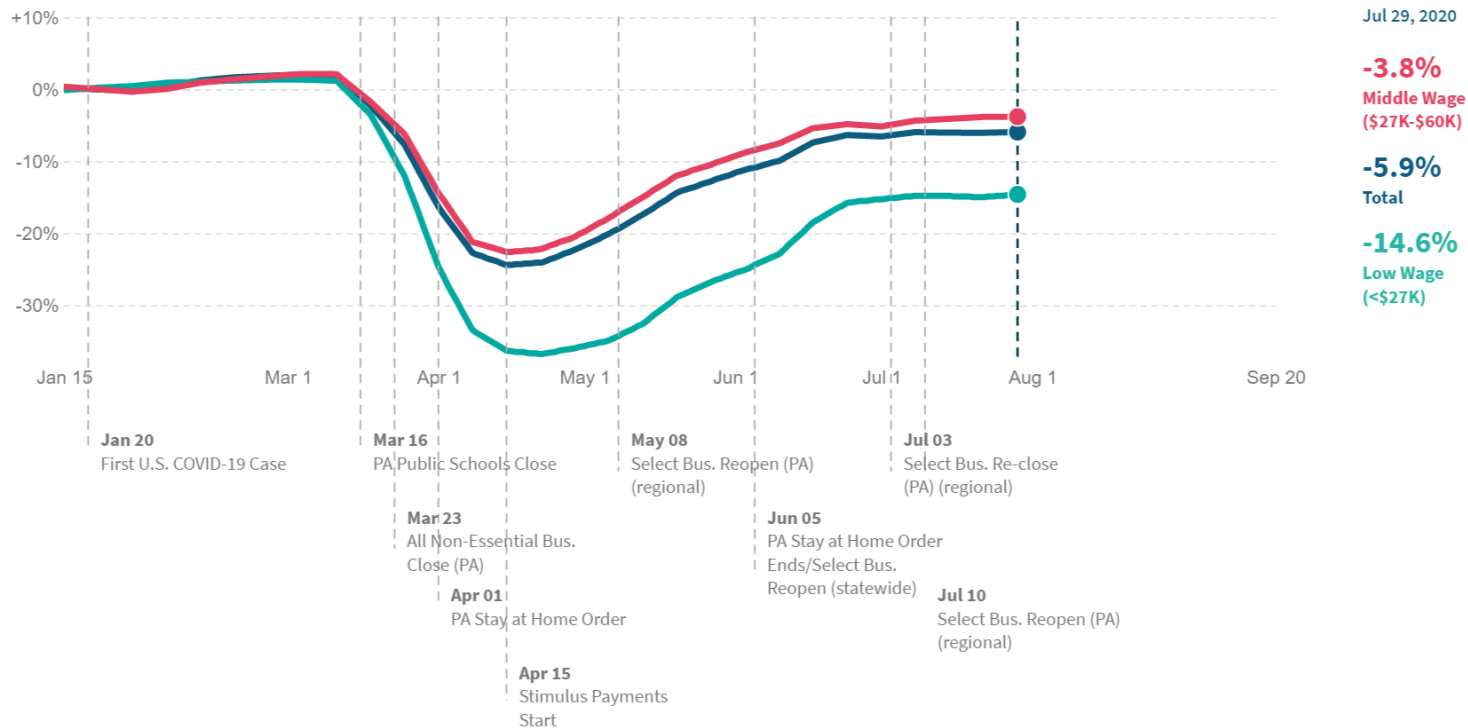


...and educational attainment.



Percent Change in Employment*

In **Pennsylvania**, as of July 29, 2020, employment rates decreased by **5.9%** compared to January 2020 (not seasonally adjusted).

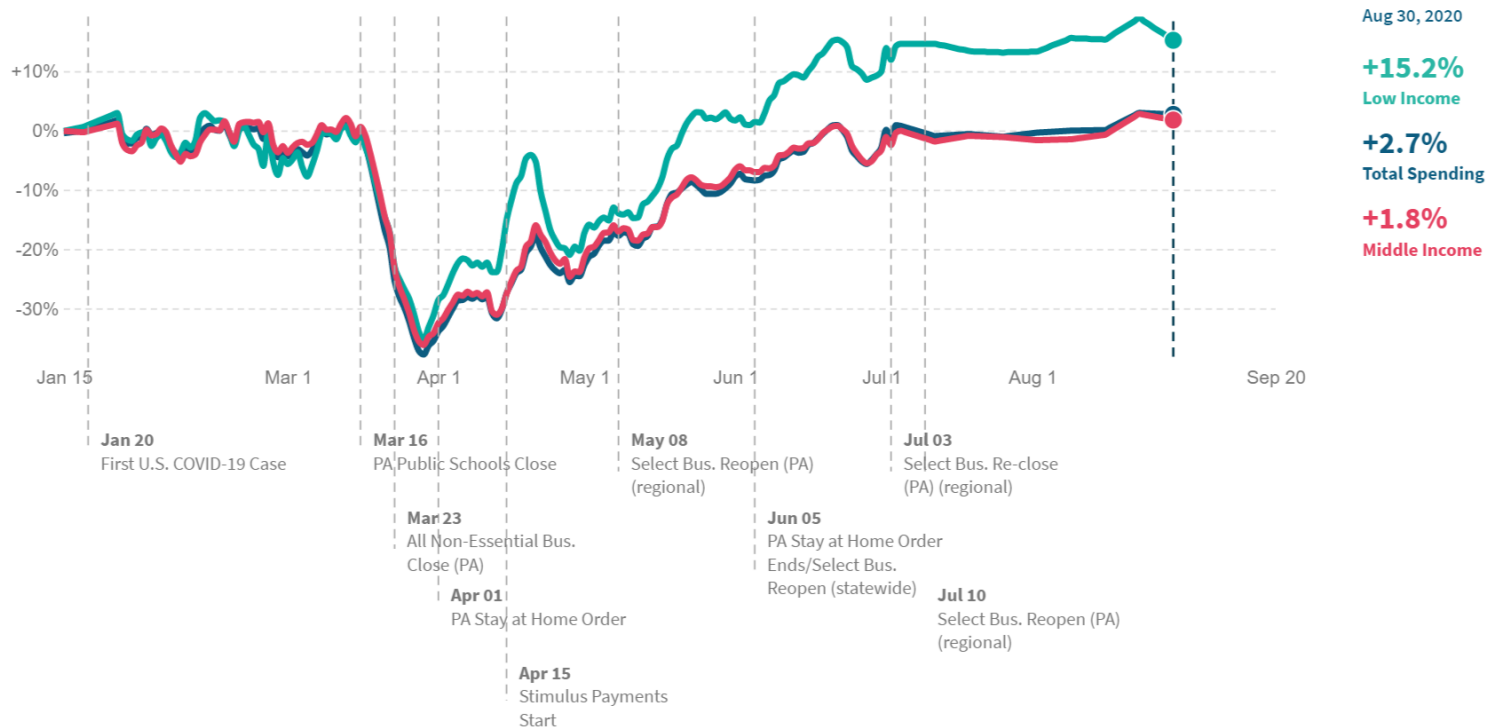


*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.

last updated: **September 14, 2020** next update expected: **September 20, 2020**

Percent Change in All Consumer Spending*

In **Pennsylvania**, as of August 30 2020, total spending by all consumers increased by **2.7%** compared to January 2020.

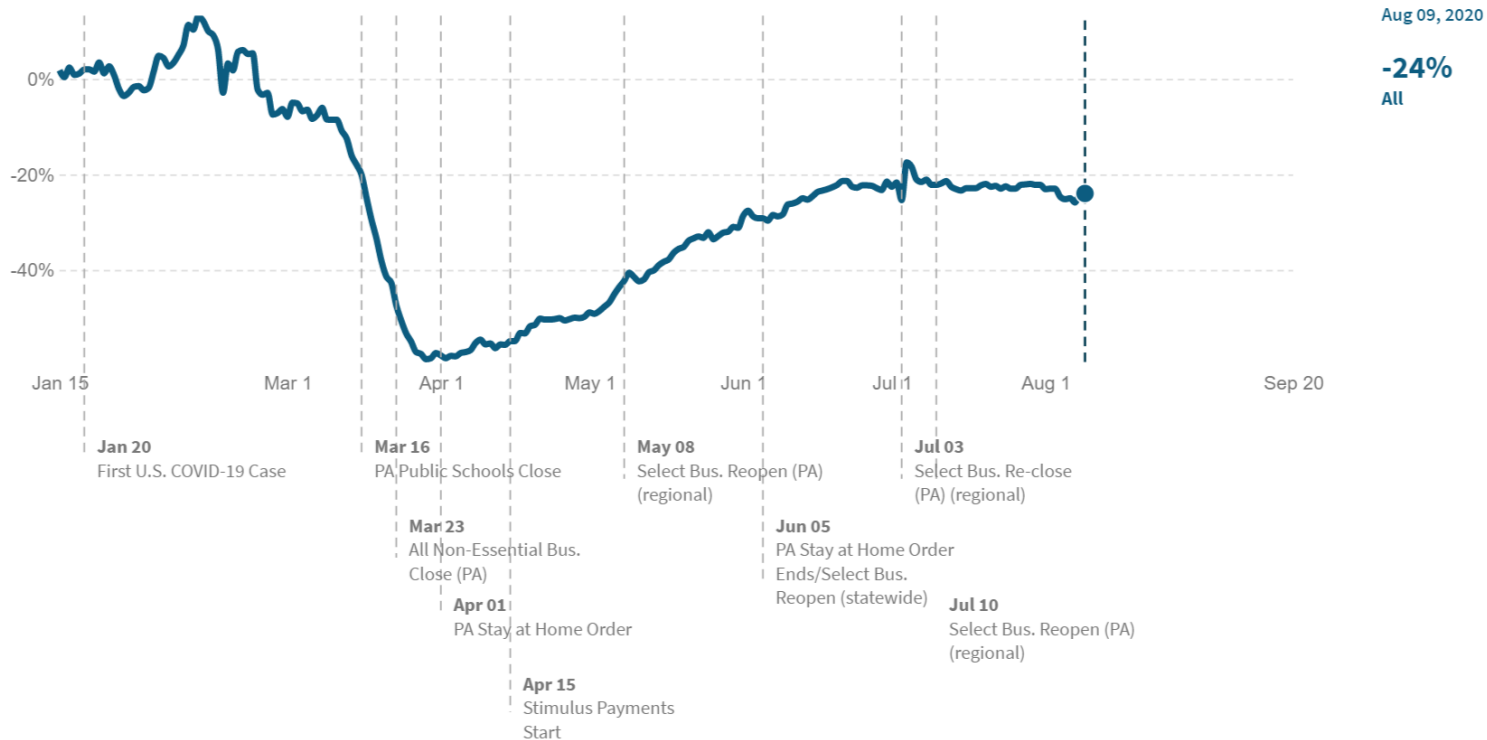


*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. This series reflects daily data through July 5th, 2020 and weekly data after July 5th, 2020. This series is based on data from Affinity Solutions.

last updated: **September 11, 2020** next update expected: **September 20, 2020**

Percent Change in Small Business Revenue*

In **Pennsylvania**, as of August 09 2020, total small business revenue decreased by **24%** compared to January 2020.



*Change in net business revenue for small businesses, indexed to January 4-31 2020 and seasonally adjusted. This series is based on data from Womply.

last updated: **August 21, 2020** next update expected: **September 20, 2020**



How have the Federal Reserve (the U.S. central bank) and the federal government responded to the COVID-19 recession thus far?

- Monetary policy responses (i.e., actions undertaken that affect the supply of money and the availability of credit)
- Fiscal policy responses (i.e., changes in government spending and taxes)



Monetary policy:

Refers to actions central banks take to pursue objectives such as price stability and maximum employment

Fiscal policy:

Refers to the government's revenue collection and spending decisions (Congress and the administration)



FEDERAL RESERVE BANK of ST. LOUIS



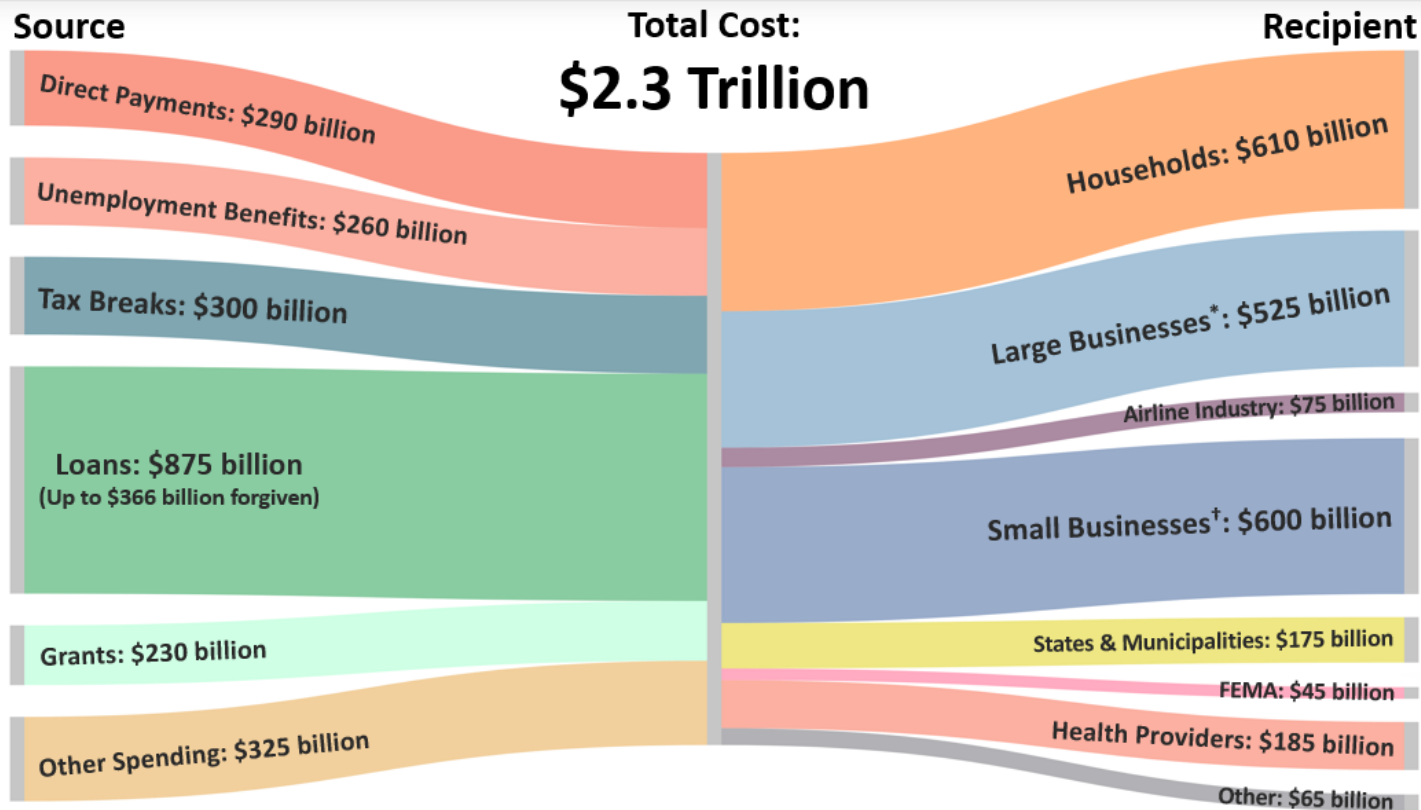


How have the Federal Reserve (the U.S. central bank) and the federal government responded to the COVID-19 recession thus far?

- According to [figures](#) from the Committee for a Responsible Federal Budget, year to date:
- **\$2.3 trillion** has been committed/dispensed by the **Federal Reserve** (mostly through **purchases of long-term government bonds and bundles of mortgages**, but also through other programs)
- Another **\$2.3 trillion** has been committed/dispensed through **legislative actions** (e.g., loan programs, income support measures, etc., principally via the **Coronavirus Aid, Relief, and Economic Security [CARES] Act**)
- An additional **\$437 billion** has been committed/dispensed through **administrative actions** (e.g., **changes in tax policy and health spending**).



A Visualization of the CARES Act



† This includes \$170 billion of tax cuts for businesses other than corporations, some of which are large companies.

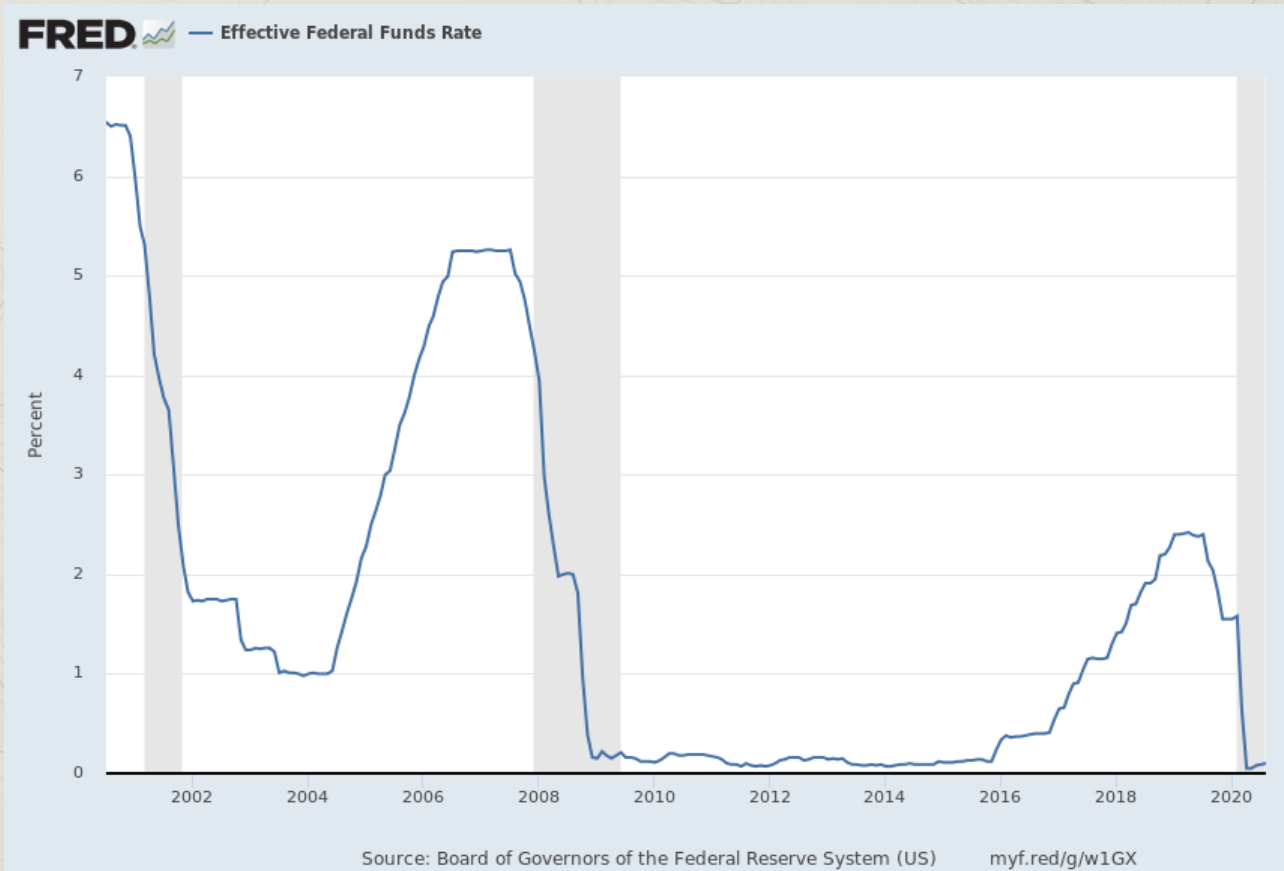
* This includes \$454 billion to set up a \$4.5 trillion Fed facility, which could help support large businesses but also small businesses and state and local governments.

Source: Legislative offices, JCT, bill text, CRFB estimates.



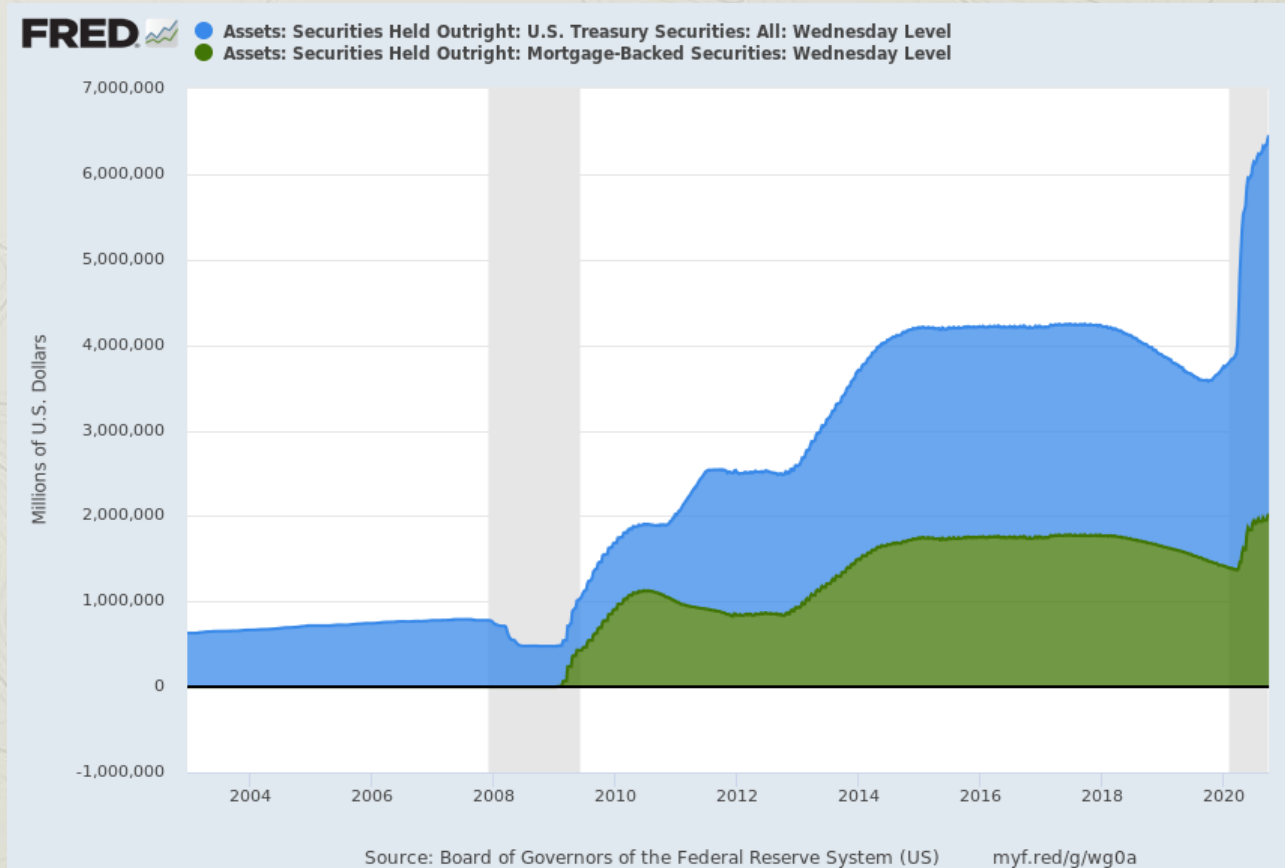


The Federal Reserve's target interest rate (the *federal funds rate*) is currently at 0.1%.



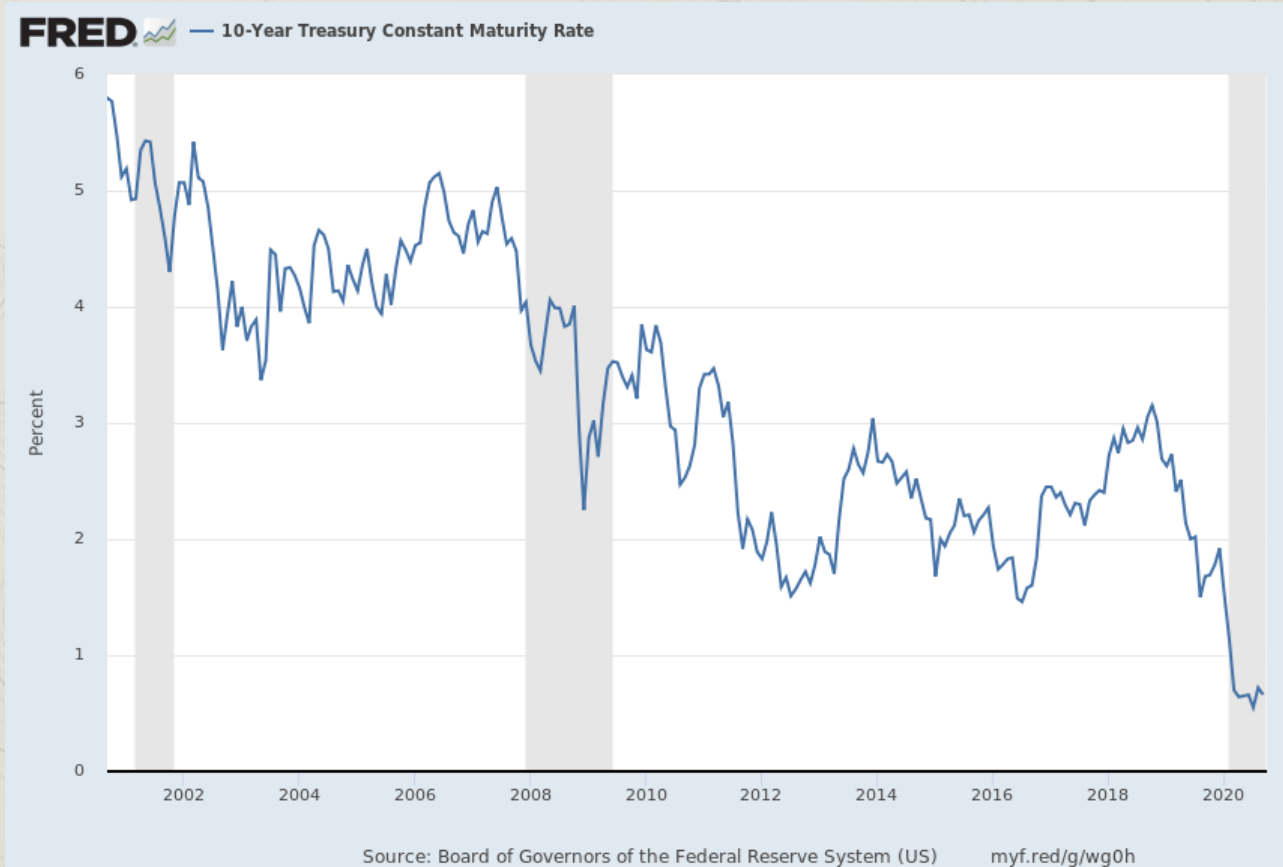


The Federal Reserve has also been buying U.S. government bonds and bundles of mortgages in order to keep borrowing costs low and support the financial system.



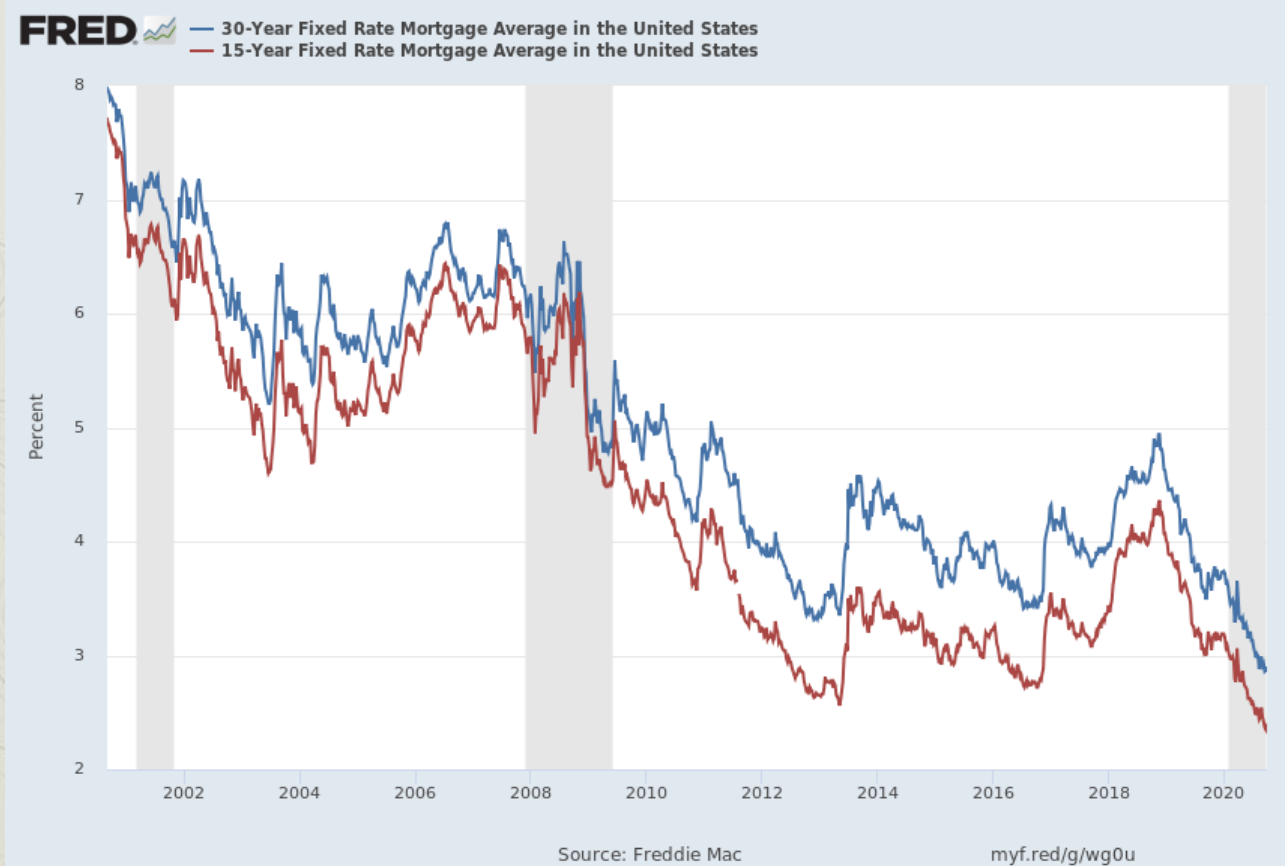


Borrowing costs for the federal government are indeed quite low—the annual interest rate for a 10-year government bond is now less than 1%.



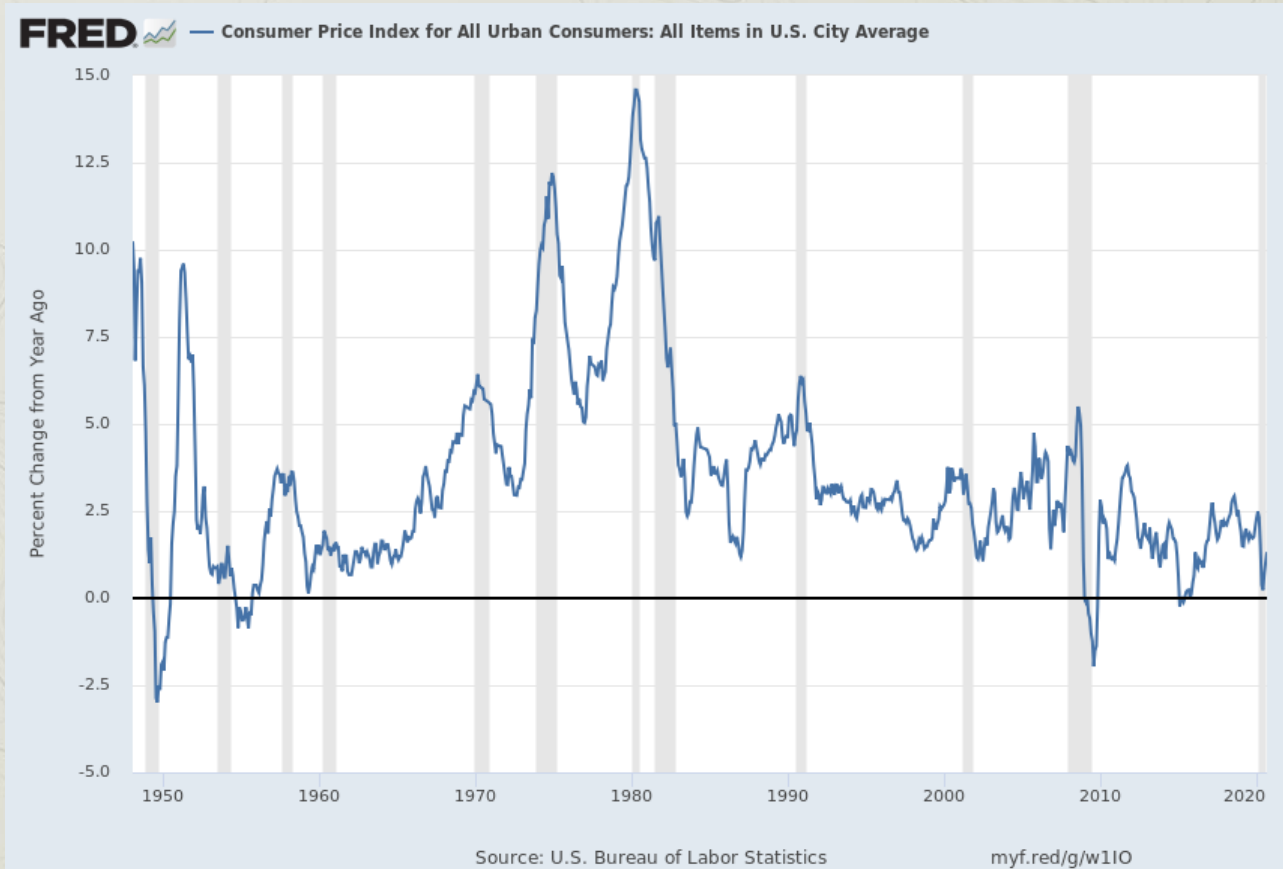


Mortgage rates are also at historic lows.





Consumer price inflation is also relatively low—prices for consumer goods and services overall are up by only 1.3% since this time last year.



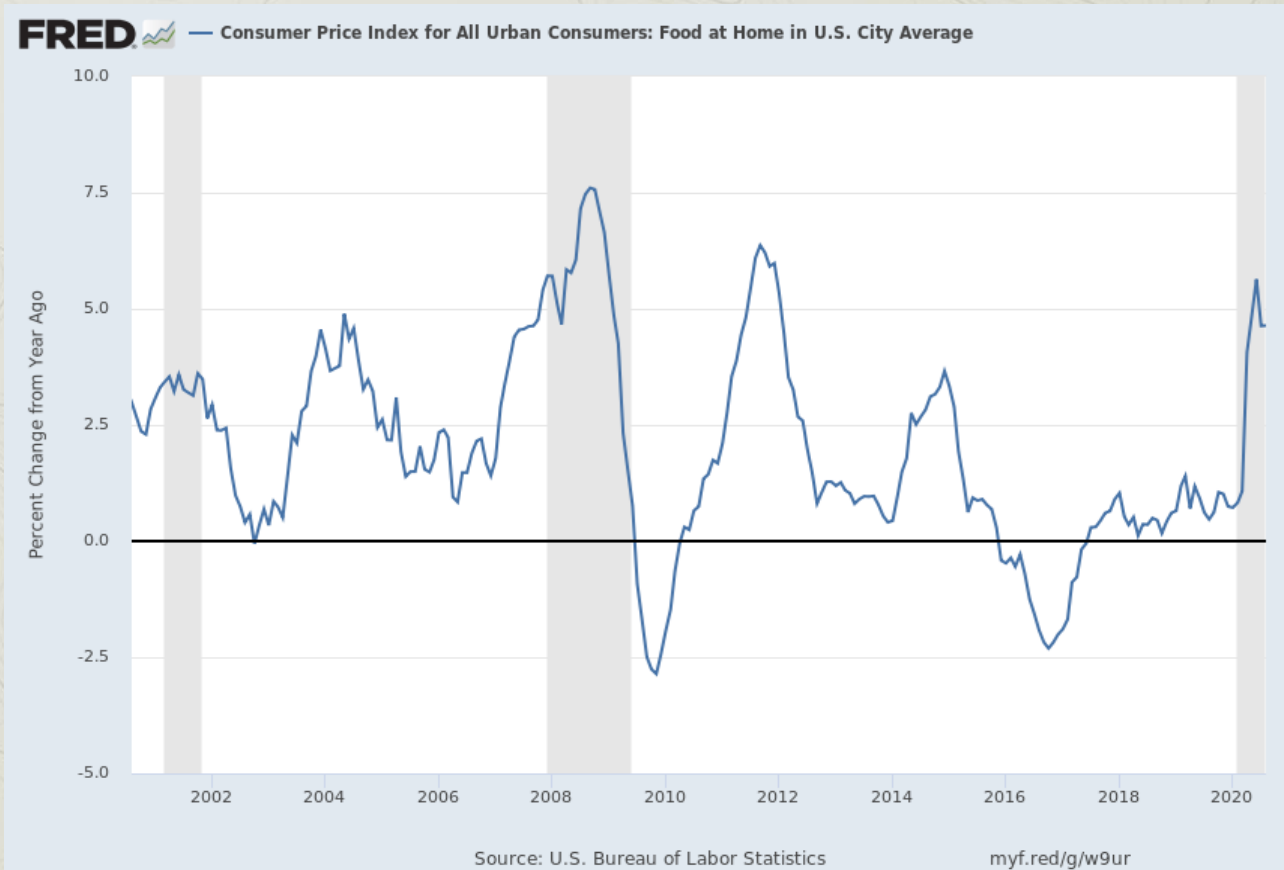


Is the bigger risk *deflation* (i.e., falling prices)? Or is this time different (e.g., because of supply chain disruptions and unprecedented monetary stimulus)?





Grocery prices are certainly up!





Small-Group Discussions Regarding Further Policy Responses

Going forward, what should governments do to support households, workers, businesses, and nonprofits during the COVID-19 recession?

How can governments support a rapid and inclusive post-COVID economic recovery?

When we return to the full session, feel free to share your responses or the issues that your group discussed via Zoom or via the Zoom group chat.





Discussion



Since interest rates and inflation rates are low—and will likely remain low—why not...

- Allow the Federal Reserve to send out checks (“[helicopter money](#)”) during recessions and economic crises
- Improve our system of [automatic stabilizers](#) (e.g., enhanced unemployment benefits or [stimulus payments](#) during recessions and economic crises)
- Find ways to achieve **universal health care** and **universal access to higher education** (as policies aimed at supporting an inclusive post-COVID economic recovery)
- Expand **technology budgets** for schools
- Invest in **infrastructure** (broadly considered), and our public health infrastructure most importantly





Thanks for participating!

EXPLORER CAFÉ

FALL 2020



AUGUST 26

What Does It Mean to Be Lasallian
in the Midst of a Pandemic?

Jason Diaz, ISBT, and Christen Rexing, Public Health

SEPTEMBER 2

What Happens If We Defund or Abolish the Police?

Caitlin Taylor, Sociology and Criminal Justice

SEPTEMBER 9

How Can I Contribute to Making History Now?
The COVID-19 Archive Project: Chronicling
La Salle's Own Experiences of the Pandemic

Catherine Carey, Connelly Library Archives

SEPTEMBER 16

Is this Really Normal? Pandemic Teaching
is Not Online Teaching

Luisa Ossa, Global Languages, Literatures and Perspectives
and Christen Rexing, Public Health

SEPTEMBER 23

Responsibility and Resiliency in Challenging
Times: How Can We Cope Together As A Lasallian
Community?

Laura Cilia, Sexual Misconduct Advocate/Educator,
Student Wellness Services

SEPTEMBER 30

How Should Governments Respond to the
COVID-19 Economic Crisis?

Adam Pellillo, Economics

OCTOBER 7

Serious Cartoons: Can Animation Help
Us Talk About Difficult Things?

Geoffrey Beatty and D'Art Students

OCTOBER 14

Tweeting, Turnout, and Tone: How Might Media
Coverage of Politics Shape the 2020 Election?

Kelly Daily, Communication

OCTOBER 21

SPECIAL TIME: 4:45–6:15 P.M.

Is Implicit Bias Unhealthy?

SONHS Inter-Professional Education Committee

OCTOBER 28

Art and Activism: What is Art's Role
During Times of Crisis?

Mey-Yen Moriuchi, Art History,
and Miranda Clark Binder, La Salle University Art Museum

NOVEMBER 4

Debriefing the Elections: What Are the Takeaways?

Miguel Glatzer, Political Science
and Leadership & Global Understanding

NOVEMBER 11

What Do You Think of When You Hear the Words
"Soup Kitchen?"

PHEED Philadelphia and Conor Webb, University Ministry,
Service, and Support

The Explorer Café is an informal, interdisciplinary forum that brings the La Salle community together for engaging, interactive discussions on thought-provoking topics. Cafés are open to all, and no prior experience or technical jargon is required. Come check us out for interesting conversations, a comfortable atmosphere, and friends.

Wednesdays, 3:30–4:30 p.m. unless otherwise noted.

