THE COVID-19 RECESSION:
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The New School Alumni’s “Think & Drink @ Home: COVID 19 and Its Impact on the Economy” April 8, 2020 (update April 9, 2020)
The crisis is global, forecast IMF April 14, 2020

• 4.09,202: Just three months ago, the IMF was predicting that the global economy would grow by 3.3% this year” “Kristalina Georgieva said the sudden onset of COVID 19 pandemic meant the IMF’s new forecasts for the world economy were going to be grim when released next week – and there was a risk that the impact could be even worse than currently expected. She said more than 170 countries will suffer a reversal of living standards in 2020.” Guardian April 9, 2020
FOR US: NEW YORK FEDERAL RESERVE WEEKLY ECONOMIC INDEX

Index is composed of retail sales, UI, temp and contract emp., consumer index, steel production, electric utility output, fuel sales.

THE NEW SCHOOL
BEFORE THE CRISIS CORPORATIONS WERE DEEPLY IN DEBT WHICH MEANS THEY MAY NOT INVEST IN RECOVERY

Gross Leverage of US Corporate Sector

Note: Defined as gross debt of listed firms to EBITDA
Source: BIS (2019)
THE U.S. POLICY RESPONSE

• The U.S. had a stronger economy than EU; but weaker safety net
• European response focused on maintaining employment relationship. But in U.S., on income maintenance. Which is good and bad
• GDP projected to decline — 36 percent — three times as steep as the worst quarter during the 2008-09 financial crisis.
• Phase 1 — more of the same — Phase 2 – 3 was different: $1200 checks, UI, and the Paycheck Protection Act
• Key to Policy is to get income to consumers and companies. Would be good to furlough not layoff – keep the work relationship alive, and the shutdown as short as possible.
U.S. FORECAST

- **GDP**: 9% fall in first quarter and up to a **36% decline in second quarter**, 
- In the 1930 recession, we had a 34% decrease in output in 3 years, now in three months which is tougher 
- But! It isn’t unemployment that counts it is income! (Can Monetary and Fiscal Policy replace lost income?)
2008: 8.7 million jobs lost over 25 months (peak to trough).

In the last 2 weeks we have lost 10 million.

In the last two weeks it is likely that 3.5 million workers lost health insurance. (EPI)
CARES Act:
PHASE 3:
(March 27)
March 4, Phase 1;
March 18 Phase 2
March 27 Phase 3
GOOD NEWS! CONGRESS AND THE PRESIDENT ARE ACTING WITH SPEED AND SCALE: COMPARE NOW

- Since China reports first death from coronavirus (Jan. 11, 2020)
- Since early signs of a financial crisis* (Aug. 7, 2007)

$2.25 trillion

Eleven weeks after coronavirus outbreak, Congress passes $2 trillion Coronavirus Aid, Relief, and Economic Security Act.

Eighty weeks after the crisis began, President Barack Obama signs into law the $787 billion American Recovery and Reinvestment Act.

$700 billion Troubled Asset Relief Program

$300 billion mortgage-guarantee bill

$152 billion stimulus bill

$8 billion preparedness bill and $100 billion stimulus bill

*BNP Paribas becomes first major financial institution to report major mortgage-related distress by freezing subprime mortgage funds.
Sources: Congressional Budget Office; White House; Congressional estimates
Lower Socio-economic status = More Cases and More Deaths and Immunity!!

% of Patients Testing Positive
Discretionary 2020 fiscal measures adopted in response to coronavirus by v26 March 2020, % of 2019 GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>% of 2019 GDP</th>
<th>Immediate Fiscal Impulse</th>
<th>Deferral</th>
<th>Other Liquidity/ Guarantee</th>
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<tbody>
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<td>Belgium (2)</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
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<tr>
<td>Denmark (12)</td>
<td>2%</td>
<td>7%</td>
<td>3%</td>
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<tr>
<td>France (23)</td>
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<td>9%</td>
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<tr>
<td>Germany (51)</td>
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<td>15%</td>
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<td>Spain (12)</td>
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<td>United Kingdom (17)</td>
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<td>1%</td>
<td>15%</td>
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<tr>
<td>United States (13)</td>
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<td>3%</td>
<td>4%</td>
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</tr>
</tbody>
</table>

Source: Bruegel
NEEDED AND CALLED FOR IN PHASE 4

1. 100 percent payroll support
2. Raise Social Security benefits $200 per month
3. Personal Protective Equipment and stop employers from unsafe practices
4. Paid Leave for 14 days
5. Moratorium on all debt payments, as well as on rent. Lower interest rates on debt.
6. State and local aid, so they can start hiring. (States and localities spent $3.3tn last year. Revenues will drop by maybe $1tn.)
7. More income flows: Increased funding for Medicaid (for full coverage for uninsured), and for TANF and SNAP.
8. Another round of $1200 checks and include college students
9. Expand ACA - -allow signups now

LONG TERM SO RECOVERY IS EQUAL

1. $20 minimum wage for all workers
2. Massive infrastructure investment but that will take time to plan and execute.
THANK YOU