

# THE CORONAVIRUS AND THE ECONOMY

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# topics

1. THE ECONOMY BEFORE THE VIRUS
2. THE “MANDATED” RECESSION
3. HOW BAD THE DOWNTURN?
4. THE FEDERAL RESCUE
5. WHEN THE RECOVERY?
6. WHAT KIND OF RECOVERY?
7. LONG-RUN IMPACTS

# THE ECONOMY WAS VERY GOOD PRIOR TO THE VIRUS

1. RECORD LENGTH OF ECONOMIC GROWTH
2. GROWTH RATE (REAL GDP) OF 2%
3. RISING REAL WAGES
4. LOW UNEMPLOYMENT
5. LOW INFLATION

# THE UNPRECEDENTED “MANDATED” RECESSION

“TYPICAL” RECESSION STARTS BY SOME “EXCESS” IN THE ECONOMY

THIS RECESSION BEGUN BY NEED TO LIMIT SOCIAL INTERACTION IN  
ORDER TO CONTAIN AND CONTROL THE VIRUS

PS: “OFFICIAL” RECESSION WILL BE “CALLED” BY AN INDEPENDENT  
ECONOMIC THINK-TANK

# HOW BAD OF A RECESSION?

DEEP BUT SHORT

52% OF NON-FOOD RETAILERS ARE NOW CLOSED

2<sup>ND</sup> QUARTER THE WORST – QUARTERLY REAL GDP DOWN 20-30%

JOBLESS RATE IN DOUBLE DIGITS

IN THIRD QUARTER, SMALL DIP, NO CHANGE, OR SMALL RISE

GROWTH – COULD BE STRONG – IN FOURTH QUARTER

# DETOUR: COMPARISON TO THE ASIAN FLU OF 1957-58

U.S. SUFFERED 116,000 DEATHS WITH HALF THE POPULATION AS TODAY

NO MANDATED SHUTDOWNS, BUT MANY BUSINESSES CLOSED DUE TO  
MASSIVE ILLNESS

HELPED SPARK THE 1957-58 RECESSION: IN WORST QUARTER, REAL  
GDP DROPPED 10%

# THE FEDERAL RESCUE

FEDERAL GOVERNMENT MOVED FAST TO ASSIST THE ECONOMY

“FISCAL POLICY”: \$2.2 TRILLION OF ASSISTANCE TO HOUSEHOLDS AND BUSINESSES

“MONETARY POLICY”: LOWER INTEREST RATES

\$4 TRILLION LENDING PROGRAM

LIKELY MORE TO COME, INCLUDING DIRECT AID TO STATE & LOCAL GOVERNMENTS

DOWNSIDE OF FISCAL POLICY – BORROWING – MOVING GROWTH FROM FUTURE TO NOW

DOWNSIDE OF MONETARY POLICY – HIGHER INFLATION – BUT TODAY UNLIKELY

# WHEN THE RECOVERY?

BALANCING HEALTH AND THE ECONOMY

COST OF CONTAINING THE VIRUS HAS BEEN CURTAILING THE ECONOMY

BENEFIT OF CURTAILING THE ECONOMY HAS BEEN SAVING LIVES

WANT BENEFITS TO EXCEED THE COSTS

RESEARCH SHOWS SHUTDOWN OF THE ECONOMY CAN BE SHORTER THE LOWER IS  
THE INFECTION RATE

WE HAVE SEEN THE INFECTION RATE DROP SIGNIFICANTLY



# WHAT KIND OF RECOVERY?

THE ALPHABETICAL OPTIONS: L, W, V, U

HOPE FOR “V”, BUT MORE LIKELY “U”

AS MUCH AS A YEAR UNTIL PRE-VIRUS CONDITIONS RETURN

IMPORTANT: NORTH CAROLINA “BRAND” NOT DAMAGED

# POTENTIAL CHANGES IN THE POST-VIRUS WORLD

“TELE” IN EVERYTHING: WORK, SCHOOL, MEDICAL

GLOBALIZATION RE-VISITED

SUPPLY-CHAIN RE-VISITED

LIVING IN DENSE CITIES RE-VISITED