

Economic Policy During a Pandemic

National Economic Policy Analysis

GECO 5710

GRADUATE SEMINAR

Professor Teresa Ghilarducci

JANUARY 10 – JANUARY 21, 2022

JANUARY INTENSIVE COUNTS AS SPRING 2022

RA: Brenden Botelho

Office Hours: every day before and after class and by appointment

Class Hours: Jan 10-22, 9:00-11:30 am

Course Description

We are using the **case study method** to learn economic policy analysis. The case study is of the global pandemic and how nations made tradeoffs, or believed that tradeoffs had to be made, between health and wealth. We acknowledge that the pandemic is a political, social, and health crisis.

I aim to help students learn the theoretical, institutional, and technical issues needed for effective research and advocacy regarding domestic economic policy. Many students have found PhD, Masters, and BA thesis topics taking this class. To be clear, there will be a heavy emphasis on economic concepts and techniques, but we will help all students adjust according to their previous economics background. This course is appropriate for advanced undergraduates, Masters, and Ph.D. students in most fields.

Students will be required to present their draft policy memos, complete class assessments with a flexible format including practicing different rhetorical forms, especially the policy memo. Course requirements include attendance and class participation, and a policy memo advocating a position on an issue of opening the economy during a pandemic while aiming to improve equity – solving three equations to achieve three goals at the same time.

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Grading Policy

I may grade on a curve, the scale dependent on overall class scores at the end of the semester. Any curve will only make it easier to obtain a higher letter grade. The grade will count the assessments using the following proportions. You will advise me about your grade and I suggest you weight your grade according to your own standards and that class participation – we are simulating a policy emergency – be about 60% and the excellence of your policy memo be about 40%.

60% of your grade will be determined by class participation and attendance, including small daily exercises including your presentation.

40% of your grade will be determined by **policy MEMO due January 22.**

During Class – on line

Please do not text your friends while in class. (This is for in person! Electronic devices such as laptops and cellular phones **are strictly prohibited**; they deter learning and create negative externalities. I invite you to read these two resourceful articles from the [New York Times](#) and [Scientific American](#) that suggest students avoid laptops during lectures.) We will have electronic and biology breaks!

Attendance Policy

Since this is an intensive course, attendance is expected. Any attendance problems should be dealt with as far in advance as possible.

Course Outline

Students are expected to have read the course materials for each day. That makes the first class a challenge so please be prepared to read before the first class. The intensive nature is rewarding but demanding! Some documents are accessible and available through your New School Canvas account, most online or emailed to you.. (Note: bullet points are required *reading*, squared points are recommended).

Course Structure and Policies - 3 hours with a break

- Class begins with each student sharing public policy news related to economic policies pertaining to the recession and the public health system. Each student is an advisor.
- Discussion of news and opportunity to ask clarifying questions about the reading
- Professor Ghilarducci will walk students through the material. A visual introduction to the day's topic. Short videos, graphs, etc.
- Students will engage in problem-solving activities, game theory exercises, and trivia.
- Break!
- Sessions will involve one of the following:
Students will participate in an informal debate and will have the opportunity to articulate and defend their ideas OR Students will complete a skill check which will help evaluate their progress through the material.
- Review 11:00
- A brief overview of the next session's content

This course engages with introductory microeconomic concepts including but not limited to the following:

- Vaccines and public health as public goods
- What causes wage increases and inflation?
- Monetary policy and super-low nominal and real interest rates
- Fiscal policy, the multiplier, and the CARES act
- Worried about your economics literacy and need a brush-up or help? Take this assessment of your knowledge.
- Differentiate between a change in demand versus a change in quantity demanded (same thing with supply)
- Finding the perfectly competitive firm's asking price (kind of a trick question, think carefully)
- Differentiate between monopoly conditions and competitive conditions

No other prior knowledge is required to participate in this course actively. Some readings will change as publications emerge in this active policy space.

Monday January 10

How Pandemics and Public Health Affect an Economy

1. Introduce class –Policy action due in two weeks. Your job is to devise ways to manage a group of economic advisors and break out introducing each other and their particular interest in how to manage the economy and prepare for the next pandemic.
2. Discussion of news and clarification
3. Lecture:
 - Introduction to how policy gets made. Policymaking “catches a wave” when three domains align. First, the policy needs to be well researched and known to experts; leadership; the right moment. This is the classic formula described by Political Scientist John Kingdon where he describes policy in his now famous streams approach to [policy making](#).
 - Pandemics in perspective. It is likely that there will be another one. Does global trade make them inevitable? What are the major factors explaining a virus’ economic devastation? Here is a list of global epidemics: [Significant epidemics - Wikipedia](#)
 - This describes [flattening the curve](#) from Live Science “Coronavirus: What is Flattening the Curve and will it work? Spector, Brandon. March 16, 2020.
 - Characteristics of the Novel- Coronavirus Pandemic and COVID-19: Our baseline knowledge includes how disease is modeled using the S..I.R models. Here is the [math](#). This brilliant short video from the math site [3Blue1BrownSimulating an epidemic](#) (Mar 27, 2020) We saw that people with low socioeconomic status and Blacks (independent of economics) are more affected. Malcom Kelly and Jina Sawani Univ. of Michigan, Health Lab, May 04, 2020
 - Here is the [CDC Museum COVID-19 Timeline | David J. Sencer CDC Museum | CDC](#)
 - Drake, John. October 2020 “[Why Covid-19 Isn't Just a Bad Version of the Flu.](#)” Forbes, Forbes Magazine
 - See this National Academy Racial Equity and Lethality of COVID-19 by age and race: [Racial Disparities in the Time of COVID-19](#)
4. Presentation: Managing a Pandemic Without Making Inequality Worse: Case of Santa Cruz County.
 - Slide deck in Canvas “Managing A Pandemic Without Making Inequality Worse: The Case of Santa Cruz County, California” How to solve for three objectives – health, wealth, equity. Dr. Brent Haddad, Professor of Environmental Science, University of California, Santa Cruz

Tuesday January 11

How the Recession and Disease Varied Geographically

- This index tracks the extent of policies COVID-19 Stringency Index, Nov 16, 2021: [ourworldindata.org](#)
- Policy doesn’t need to only track the virus -- [CDC COVID Data Tracker](#) --policy makers need to track the impact -- [COVID-19 Hospital Data \(cdc.gov\)](#). This index tracks the policy differences. [COVID-19 Stringency Index, Nov 29, 2021 \(ourworldindata.org\)](#)
- Do shutdowns work well? This paper describes the most important predictors of which cities were hardest hit by the pandemic. Surprise, it is not the policies but the exogenous characteristics such as population and density and public policies weren’t as crucial as voluntary social distancing

responses. [What Explains Temporal and Geographic Variation in the Early US Coronavirus Pandemic?](#) Hunt Allcott, Levi Boxell, Jacob C. Conway, Billy A. Ferguson, Matthew Gentzkow & Benny Goldman WORKING PAPER 27965 DOI 10.3386/w27965 October 2020

- The evidence is in. Universal masking is one of the most cost-effective measures preventing cases, hospitalizations, and deaths. Do mandates work better than advisories? Adjodah, D., Dinakar, K., Chinazzi, M., Fraiberger, S. P., Pentland, A., Bates, S., Staller, K., Vespignani, A., & Bhatt, D. L. (2021). [Association between COVID-19 outcomes and mask mandates, adherence, and attitudes](#). PloS one, 16(6), e0252315.
- Glaeser, E. and Cutler, D. 2021 “Globalization and Permanent Pandemic” *Survival of the City*. Penguin Press Chapter on pandemics in history and public health In Canvas We had important natural experiments. Nations did a variety of policies and we can control for other factors to isolate the impact of the policies in flattening the curve. We need to know which countries that did right and wrong in the pandemic. “Russia’s excess mortality soars since start of Covid pandemic” Financial Times Nov. 3 (in Canvas). Academic studies are needed here.
- When the economy opens human interactions transmit COVID-19. People do not internalize the costs they impose on others. This paper shows that people perceive the cost of an additional infection to be around \$80k, when the social cost is more than three times higher, around \$286k. This misvaluation has stark implications. We can flatten the curve of infections, but the disease is not overcome until herd immunity is acquired. The economic cost is high; an initial sharp decline in aggregate output followed by a slow recovery over several years. If public policy contained the disease and quickly eradicate a milder recession would happen. Read Covid-19 Infection Externalities: Trading Off Lives vs. Livelihoods Zachary A. Bethune, Anton Korinek NBER Working Paper No. 27009 April 2020 [Covid-19 Infection Externalities: Trading Off Lives vs. Livelihoods | NBER](#)
- “[When Economists Take a Back Seat to Virologists](#)” which shows the decisions to constrict was not controversial. In this recession economists are taking advantage of the variations across states and in the pandemic of 1918 to decide what policies make sense.

Wednesday January 12

What is a public good?

This class provides a primer on public goods. The goal is for each student to be able to tutor and teach what a public good is to students, friends, policy makers.

1. Private goods are different than public goods.

Resources commonly available to all people within a society or community is conventionally defined as a public good if it possesses two specific qualities: they are non-excludable and non-rivalrous. Everyone has access to use them, and their use does not deplete their availability for future use. If a good is non – rivalrous the marginal cost of providing that good to one extra person is zero. If it is non excludable, you can’t exclude someone from enjoying the good then it is nonexcludable. If it is non rivalrous and nonexcludable it is a pure public good.

If a good is rivalrous and excludable, the marginal cost of providing is equal for all and totally excludable-- my cupcake – it will be provided by private markets and private property claims. That is a pure private good. Most goods are in between.

Examples of a pure public good is national defense. No-one has an incentive to pay for national defense because if they do the person who doesn't pay - the free rider - can't be excluded and enjoys it for free. Unless a group imposes a mandatory costs on themselves - like a tax - the public good won't be produced and it is undersupplied. Free rider and Externalities are important ways private markets can't supply everything.

If private goods are produced with resources the producer or consumer doesn't pay for; that is called negative externalities. If private markets create goods that are enjoyed by people who don't pay, my front garden, that is a positive externality.

For example, if my view of the moon is obliterated by your car factory's pollutants you (and my neighbor who bought the car) used a common good but didn't have to pay. My neighbor didn't pay the full price of her car.

2. What is a vaccine?

In theory, a new vaccine is not a pure public good because the supply of the vaccine is limited in a given time period and therefore, giving a vaccination to one person means that there is less available to someone else i.e. the vaccine is rival with a positive (although low) marginal cost of supply. The biggest costs is the initial vaccine, and it is cheaper and cheaper to provide. However, as a 2020 WHO report argued vaccine provide a positive externality that without a mandate will be undersupplied. Vaccines have small risks and I am better off if everyone but me is vaccinated. You pay the price of the vaccine - sore arm, small but positive risk etc - and I reap the benefits of being susceptible but no one around me can infect me. The WHO said, "Vaccination has positive effect beyond individuals and provides indirect benefits to the unvaccinated."

David Pilling -see the Financial Times - reported that it will cost \$20bn to vaccinate everyone on earth, equivalent to roughly two hours of global output." The United States has 5% of the world population so the cost of vaccinating everybody in the US is \$1 billion.

The benefits of universal vaccine would have conservatively been the value of years of lives saved. One way to estimate COVID-19 deaths that includes unconfirmed cases is to use the excess mortality, which is the overall number of deaths that exceed what would normally be expected. The CDC estimates 947,000 deaths can be attributed to the pandemic. Economists have estimated that the cost of a life is \$10 million so each year of life with an expected life expectancy of 80 years is worth 125,000 of course each life is precious but we have to estimate the benefit of putting an ICU bed near every house or make roads absolutely safe against the number of lives that would be saved.

So we have to have an estimated cost of life to estimate the costs and benefits of regulation. So if the median age of a person who died because of COVID is 70 life expectancy is 80 then 947,000 souls lost ten years of life. That's nine million 470,000 years of life lost due to kovid. Multiply each of those years by 125,000 and you have \$1.41 trillion. The estimated cost of vaccinating everybody in the United States is about \$1 billion. The benefits of a vaccine mandate outweigh the costs. But we don't have a vaccine mandate

But what the classic definitions often ignore is that technology and politics change the boundaries constantly. Public goods are not those that meet a scientific economic definition. Public goods are determined by politics and economics.

- This video provides a neoclassical definition of public good examples.
<https://youtu.be/oqm4mE8sLfs> Outlines nonrivalrous and nonexcludable definitions.

3. We will discuss the Free rider problem and how the public good pertains to the pandemic.
- How is public good theory used in conventional ways? Here is a conventional guide: [Lecture 8: Public Goods \(harvard.edu\)](#) – A complete intermediate guide to the neoclassical definition of public goods. Describes public goods with logical, graphical, and mathematical examples. Also introduces examples of the free rider problem and provides contemporary research on the issue. The content in this slide deck provides a straightforward basis for contemporary analysis. Economists discussing the costs of vaccine investments and the vexing problem of spreading immunity to all human hosts regardless of the GDP per capita of their nation of residence is a classic public good problem. We will discuss when did vaccines become public goods and when are they not?
 - A simple Model of Vaccination November 2021 NBER ([29463](#)). This model clearly shows that even though vaccines lower the Risk factor without social distancing, people don't get an immediate and private payoff if others vaccinate. There are trade-offs between increasing the share of the population that is vaccinated and requiring social distancing as policy tools for reducing virus spread.
 - Vaccine mandates yield increases in vaccination rates and corresponding reductions in future infection rates but do not increase expected payoffs to individuals.
 - This public good problem is the difficult reality of how the public gets coordinated so they collectively pay for a public good. Professor Reddy's contribution is key here. **Reddy, S. Acharya, A. (2020) The Economic Case for a People's Vaccine** [The Economic Case for a People's Vaccine - Boston Review](#) Describes that vaccines while excludable should still be considered a public good because they are important in achieving immunity to infectious diseases and that immunity is generally nonexcludable.
 - This article makes the case that disease surveillance meets the criteria for the traditionally defined public good. **Chen, L.C., Evans, T.G., & Cash, R.A. (1999). Health as a Global Public Good.**
 - [In Under vaccinated Arkansas, Covid Upends Life All Over Again](#)
4. Debate: Proposition: Is the vaccine a public good and why?

	Excludable	Non-excludable
Rival	<p>Private Goods</p> <p>e.g. an insect, cheese, houses, cars</p>	<p>Common Resources</p> <p>e.g. fruit, water, fish, timber, pasture</p>
Non-rival	<p>Club Goods</p> <p>e.g. cable television, cinemas, golf, football</p>	<p>Public Goods</p> <p>e.g. fruit of knowledge, national defence</p>

Thursday January 13

How to write a good policy memo

- Special guest Heidi Shierholz, Former Chief Economist US Dept. of Labor, President, Economic Policy Institute (EPI). Homework Assignment: each student must outline a policy memo

Friday January 14

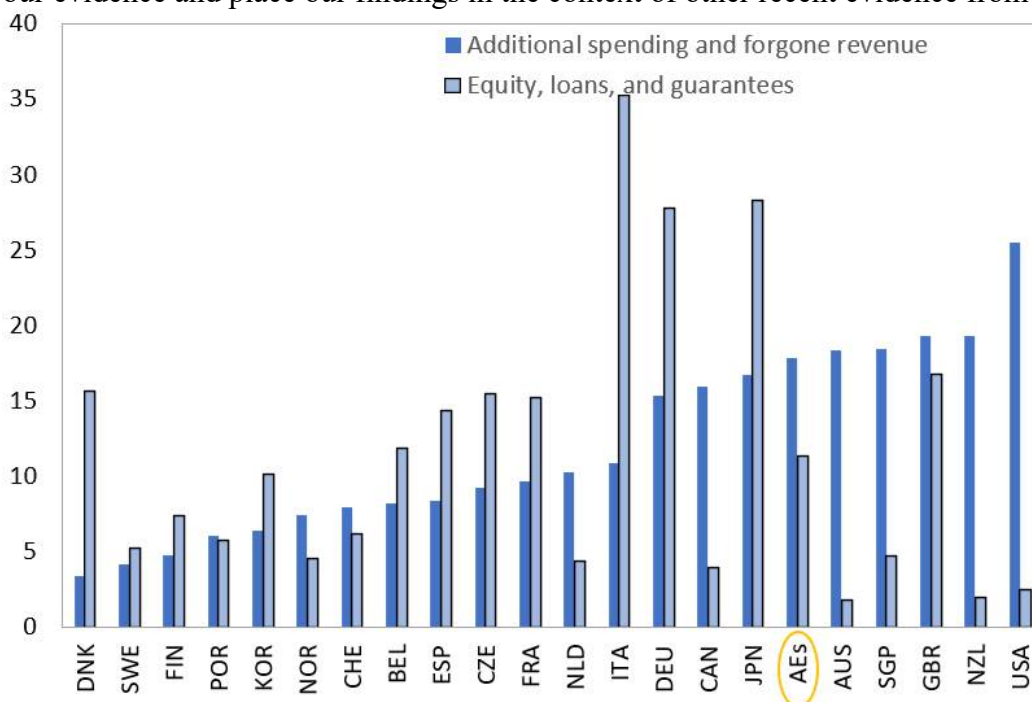
How did Government Policy Mitigate the Economic Impact of the Pandemic?

This class explores a number of questions: How did the governments respond to the pandemic?

In this class we explain how fiscal policy increases demand and may cause inflation. This is taught in the form of a debate.

- Keynesian economic stabilization includes monetary and fiscal policy. We will review aggregate demand and aggregate supply curves and liquidity demand curves.
- The theory behind fiscal and monetary stimulus. Please refer to your *favorite textbook* and the several chapters on aggregate demand and supply.
Review what the US and G7 nations did in response to the 2008/2009 recession. The paper I assigned here analyzes how fiscal and monetary policy typically responds during downturns. Are discretionary fiscal responses to downturns timely and temporary (and targeted)? Comparing fiscal policy to monetary policy shows that though it is slower discretionary fiscal policy is more timely and stronger than monetary policy.
- [Federal Reserve indicators](#). I depend on the Richmond branch of the Federal Reserve here, make sure you get the most recent report.
- We will review $C + I + G + X - \text{Imports} = P \cdot Y$. What happens in typical recessions is that productivity falls because employers retain their management employees and choose to lay off the people that they can easily hire back or hire back their substitutes. We will review the cyclical trends in productivity. How productivity changes over the recessions and who are the first ins and the first outs (observe racial gaps changing over the cycle.) We will also review the sectors that have lost the most jobs in recessions. We will review what are typical countercyclical and cyclical industries.
- [Fiscal Multiplier Definition \(investopedia.com\)](#) - a short article broadly defining the **multiplier effect** and how it is calculated.
- 13-minute [video demonstrating how the fiscal multiplier works](#) in simple mathematical terms.
- [Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic IMF Fiscal Affairs Department October 2021](#) This database summarizes key fiscal measures governments have announced or taken in selected economies in response to the COVID-19 pandemic as of September 27th, 2021. It includes COVID-19 related measures since January 2020 and covers measures for implementation in 2020, 2021, and beyond. The database categorizes different types of fiscal support (for example, above-the-line and below-the line measures, and contingent liabilities) that have different implications for public finances in the near term and beyond.
- Alan J. Auerbach & Yuriy Gorodnichenko & Peter McCrory & Daniel Murphy, 2021. "[Fiscal Multipliers in the COVID19 Recession](#)," [NBER Working Papers](#) 29531, National Bureau of Economic Research, Inc. In response to the record-breaking COVID19 recession, many governments have adopted unprecedented fiscal stimuli. While countercyclical fiscal policy is effective in fighting conventional recessions, little is known about the effectiveness of fiscal policy in the current environment with widespread shelter-in-place ("lockdown") policies and the

associated considerable limits on economic activity. Using detailed regional variation in economic conditions, lockdown policies, and U.S. government spending, we document that the effects of government spending were stronger during the peak of the pandemic recession, but only in cities that were not subject to strong stay-at-home orders. We examine mechanisms that can account for our evidence and place our findings in the context of other recent evidence from microdata.



- Costs and Benefits of closing bars and restaurants instead of schools. Josh Bivens on Employment Multiplier. [Updated employment multipliers for the U.S. economy | Economic Policy Institute \(epi.org\)](https://www.epi.org/publications/updated-employment-multipliers-for-the-u-s-economy/)

Saturday, January 15

Unintended (or intended) Effects of Government Economic Policies

Breaking News: SCOTUS decision on OSHA emergency order
Reservation Wage and The Effect on Labor Supply

- Evidence from the expiration of the federal pandemic unemployment compensation. Arindrajit Dube Working Paper 28470 <http://www.nber.org/papers/w28470>
- Model of how an increase in nonwage income will increase the reservation wage. Reservation wage – The wage that makes one indifferent between working and not working – With no fixed cost of working, the wage is the slope of the budget line at the endowment point – The same utility working 0 or 1 hour. [See the Fed survey on workers expectations and experiences.](#) SCE LABOR MARKET SURVEY **At a Glance: Findings from the November SCE Labor Market Survey**
- Sadly, the actual experiences of job offers is softening. Policy effects of policies. [Economic Effects of Additional Unemployment Benefits of \\$600 per Week](#) June 4, 2020 The CBO examined the economic effects of extending the temporary increase of \$600 per week provided by unemployment programs. A CARES act increase in unemployment benefits existed from 27 March 2020 and continued until 4 September 2021. The CBO estimated that an increase in benefits beyond June 2020 would cascade effects through both output and employment. An

extension of the additional benefits would boost the overall demand for goods and services, which would tend to increase output and employment. That extension would also weaken incentives to work as people compared the benefits available during unemployment to their potential earnings, and those weakened incentives would in turn tend to decrease output and employment.

- How did the Pandemic affect bargaining power? And how do we prevent the decline in bargaining power in the recession. How do we measure Bargaining Power and what affects it? Mostly economists examine the reservation wage, the higher the reservation wage the higher the social wage. So Congress had to be worried about that. But this recession was weird. Congress wanted people to spend and stay home. Now there is concern that the increased social wage is causing people not to work. My very [short blog](#) “Will the U.S. Pandemic Response Strengthen Workers?” Mar 25, 2020
- How to Read the Unemployment Report
- The unemployment in May 2020 was a nightmare. The [Federal Reserve noted](#) in [May](#) that 40% of those earning under \$40,000 will lose their jobs in the Covid-19 recession.
- Sectors hit the hardest roared back the most -- see Table B6 of the monthly unemployment report called the Employment Situation. ([see the BLS report news release](#)). The industry effect drove the equity consequences. [Use FRED for most economic data.](#)
- [R46554 \(congress.gov\)](#) congressional report on unemployment over the entire pandemic sup to august 2021
- What are your favorite tables on the [first Friday of every month](#)? I look first at [Table B-6](#) which reports where workers lost their jobs by industry sector. The low-paid leisure and hospitality lost half of their employment, the finance sector lost hardly any jobs. In this recession, the worst since the Great Depression in the 1930s, high income workers are more likely to keep their jobs -- the COVID-19 recession is causing more inequality. High income workers are usually a bit more secure in recessions, but economies are interdependent and in the last recession high-paid workers especially in Finance lost their jobs. The diffusion in the recession was quite high. We will update these numbers live in class as a Skill Building. In recessions earnings usually fall or remain stagnant when there is surplus labor and a recession; but average workers’ earnings have increased since Feb. 2019. At the first part of the pandemic -- though in March and April 2020 there were more people looking for work than jobs available. But, in April 2020, [average hourly and weekly earnings rose from](#) \$804 a week to \$841 because low-income workers disproportionately lost their jobs and high-income workers kept theirs. See how much wages have increased from an [average of \\$1037 Dec. 2020 to \\$1086 Dec 2021](#).
- [Moral policy = Good economics: Lifting up poor and working-class people—and our whole economy | Economic Policy Institute \(epi.org\)](#) This article from the EPI uses CPS data from 2019-20 to see the change in employment across income quartiles.

Tuesday January 18

What determined the expert public health response and prosocial behavior?

1. Administration Check-In: memos; news, goals for the memo
2. The SIR model is very powerful, it will drive the results for the inquiries in the last four days. The success of non-pharmaceutical interventions to contain pandemics often depends greatly upon voluntary compliance with government guidelines. Examples of prosocial behavior:

- The Political Economy of Responses to COVID-19 in the U.S.A. Zhihan Cui, Geoffrey Heal, Howard Kunreuther, and Lu Liu [NBER Working Paper No. 28578 March 2021 Republican counties more likely to not wear masks](#)
- A Simple Model of Social Distancing and Vaccination Christopher Avery NBER Working Paper No. 29463 November 2021 <https://www.nber.org/papers/w29463> Individuals reduce risks through endogenous social distancing making a cost-benefit form. Since disease is transmitted through social interactions, the threat of spread of infection poses a collective action problem. Policy interventions such as lockdowns, testing, and mask-wearing serve, in part, as substitutes for social distancing. Provision of a vaccination is the only intervention that unambiguously reduces both the peak infection level and the herd immunity level of infection. Adoption of vaccination remains limited in a decentralized equilibrium, with resulting reproductive rate of disease $R_t > 1$ at the conclusion of vaccination. Vaccine mandates yield increases in vaccination rates and corresponding reductions in future infection rates but do not increase expected payoffs to individuals.

3. Is there a tradeoff between Health and Wealth?

- * The earliest paper on the tradeoff between health and wealth pointed out that allowing people to do what they want and reach a competitive equilibrium is not “Pareto optimal” because pro-social behavior is a public good. A classic externality is associated with the behavior of infected people, each atomistic person does not take into account the impact of their actions on the infection and death rates of other people. But collectively, the behavior of infected people imposes an unpriced cost on susceptible people. [The Macroeconomics of Epidemics Martin S. Eichenbaum, Sergio Rebelo, and Mathias Trabandt NBER Working Paper No. 26882 March 2020, Revised April 2021](#)
- * Sergio and Luck, Stephan and Verner, Emil, Pandemics Depress the Economy, Public Health Interventions Do Not: Evidence from the 1918 Flu (June 5, 2020). Available at SSRN: <https://ssrn.com/abstract=3561560> or <http://dx.doi.org/10.2139/ssrn.3561560>
- * Pandemics Through the Lens of Occupations Anand Chopra, Michael B. Devereux, and Amartya Lahiri NBER Working Paper No. 27841 September 2020 The economy composition matters, because different occupations have different degrees of required social proximity and interaction. Hence, the economic costs of pandemics vary significantly with different occupation mixes in society. Since individuals choose the location of their work and those who can do so to self-insure against infection risk. People worried about getting infected stay home if they can. The endogeneity of market participation can lower cases, especially if people are risk averse. costs of the pandemic occur due to both a decline in market employment as well as a fall in productivity due to infection. And it causes a great deal of inequality.
- Health vs. Wealth? Public Health Policies and the Economy During Covid-19 Zhixian Lin and Christopher M. Meissner NBER Working Paper No. 27099 May 2020, Revised November 2020 https://www.nber.org/system/files/working_papers/w27099/w27099.pdf Moreover, job losses have been no higher in US states that implemented stay-at-home during the Covid-19 pandemic than in states that did not have stay-at-home. All of these results demonstrate that the Covid-19 pandemic is a common economic and public health shock. They also show that policy spillovers and behavioral responses are important. The tradeoff between the economy and public health in a pandemic depends strongly on what is happening elsewhere. This underscores the importance of coordinated economic and public health responses.
- Why Working From Home Will Stick - Jose Maria Barrero, Nicholas Bloom & Steven J. Davis [Why Working from Home Will Stick | NBER](#) This paper gathered and analyzed survey data across the US economy about people who worked from home.

Wednesday January 18

Consequences of Economic Response to the Pandemic -- Price Inflation and Changes in Labor Power

- See this [4 minute video “Mr. Clifford” and answer this question](#)
 - Causes of price inflation and the fixation on headline inflation: (coming soon-- primer video). Economists have a nifty equation to summarize $\Delta P = \Delta \text{markup}(\text{profits}) + (\Delta \text{Wages} - \Delta(Y/L \text{ labor productivity}) + (\Delta \text{Cost of nonLabor Units} - \Delta(Y/\text{NonLabor Units}) \text{ capital productivity})$ and [here](#) is a definition of inflation from the US Bureau of Economic Analysis and CNBC’s interpretation of inflation at the end of 2021, America Economic Survey finds [inflation firmly eclipsing Covid](#) as the top concern among the public.
 - Journalism interpretations of headline inflation frustrate economists because of the distortion we see in the papers that follow. [What’s Happening in the World Economy: How America Inc. Risks Inflation Sticking - Bloomberg](#). One concern is that the “M (markup) in the causes of inflation is coming about because of the consolidation of corporate power has given a small minority of large companies the ability to drastically affect prices. See Pres. Biden’s policies towards the meat industry. Profit seeking inflation is a lot different than cost push inflation.
 - Measures of inflation and the discussion of the dynamics. [www.nber.org Inflation Dynamics during COVID-19 | NBER](#) Oct 03, 2021 · The COVID-19 pandemic has provided a unique opportunity to test this methodology, particularly around the topic of inflation. After the crisis started, the United States experienced a relatively small decline in inflation in 2020, followed by a sudden surge in prices in early 2021. [www.nber.org > papers > w27352 Inflation with Covid Consumption Baskets | NBER](#) The Covid-19 Pandemic has led to changes in consumer expenditure patterns that can introduce significant bias in the measurement of inflation. I use data collected from credit and [www.nber.org > inflation-measurement-era-covid-19 Inflation Measurement in the Era of COVID-19 | NBER](#) Aug 08, 2020 ·
 - The US Consumer Price Index (CPI) may understate the rate of inflation during the COVID-19 crisis because it does not reflect pandemic-induced shifts in spending patterns, according to findings reported in [Inflation with COVID Consumption Baskets \(NBER Working Paper 27352\)](#). [www.nber.org > papers > w29609](#)
 - [Measuring U.S. Core Inflation: The Stress Test of COVID-19 | NBER](#) December 2021 Large price changes in industries affected by the COVID-19 pandemic have caused erratic fluctuations in the U.S. headline inflation rate.
1. The effect of workers’ wages on prices is through cost push inflation: $+(\Delta \text{Wages} - \Delta(Y/L \text{ labor productivity}))$

How can we stimulate the economy during a pandemic and not cause lasting inflation? The Covid restrictions have caused supply chain bottlenecks and caused workers’ reservation wages to increase. Let’s turn to workers. Also their lower unemployment rates and bargaining power flex has made them more bold to ask for more. But if labor productivity has increased more -- employers do not have to increase prices. Worker demands for a safer workplace also cause increases in the cost of production.

- The article -- Peter Coy - Workers are victims of inflation, not the perpetrators [Opinion | Don't Blame Workers for Inflation - The New York Times \(nytimes.com\)](#) discusses the basic macroeconomics of inflation and how one can just distinguish between wage push inflation and something else. It basically means that if real wages exceeds the growth of productivity.

2. The effect of other costs besides labor on prices is through cost push inflation: $+$ (Δ Cost of nonLabor Units -- Δ (Y/NonLabor Units) capital productivity)

Regulation can cause producer prices to increase. The costs of production will increase and put pressure on profits. The cost of production increase after the Covid recession, supply curve shifts in. Will costs increase if workers and government demand safer work? Absolutely! Perhaps work will become safer and employers will not have to pay so much, then costs won't increase. If workplaces will have to be reconfigured and that will be an expense like we had the pollution abatement expenses in the 1970s and there is no offset in wages then costs will increase. Please refer to the literature on the effect of environmental restrictions about Clean air and water acts which increased business cost expenses and caused a recession in the 1970s. Another way to understand is to show yourself how a shift in of the supply curve causes prices to increase. Another boost in the effect on production costs are supply chains getting shorter. Some were predicting that this would mean that production would move closer to home? Did it. However, but Amazon took off which facilitates imports.

- [What can Biden do about inflation](#)

3. The effect of profits on Prices: $=\Delta$ markup(profits)

- Data on profits here Industries and Sectors that Won and Lost [1 page article](#)

4. Worker Power: The Capital and Labor Balance

What affected the relationship between capital and labor and what are the prospects for increased balance of power? One prediction is that the recession made the wealthy much more wealthy. Look at the effect of recessions on wealth holders who can now buy cheap assets. The wealthy are always more likely to win in recessions, see the study by NYU economist Edward Wolff. After recessions wealth and income inequality grows. And households with some debt and the poor are affected much more by business cycles, Berkeley economist [Hillary Hoynes](#) studies, review recessions and their uneven effect.

- See Ghilarducci, Forbes. Billionaires Win in Covid Recession. How is the government response affecting equity. How can we expand the welfare state in a way that closes the income and wealth gap. [Billionaires](#) have done well between March 18 and May 19 according to the Institute for Policy Research. Consumer spending is down [7.6](#) percent in the first quarter of 2020 from the last quarter of 201 need increase in value of 401(k) during Covid and contributions to 401(k) during COVID.

We have to remember what the economy and labor market looked like before the covid recession (The fall in labor's share and its causes; international labor standards, trade, and domestic economic policies).

- See Larry Mishal and Josh Bivens on their big project on balance of power. [Unequal Power](#). The comprehensive and powerful critique of the dominant explanation of what's happened to wages over the last 4 decades, one advanced by the most prominent mainstream economists. Skill - biased technological change.

There is a narrative that workers are gaining power -- looked liked it peaked in Fall given the data I see from the Fed's Survey of workers' experiences and expectations.

- [See the Fed survey on workers expectations and experiences](#). SCE LABOR MARKET SURVEY At a Glance: Findings from the November SCE Labor Market Survey and see the

recent [CNBC article about worker power](#) that suggests it is rising. The news may be lagging real data.

One after effect of the pandemic may be an change in the narrative about fiscal policy. Will there be a call for austerity to fight debt and prices? The FT's Chris Giles says the IMF's tone is quite different than a decade ago, when it was pushing for 'retrenchment'

Thursday January 20

Not Making Inequality and Exploitation Worse in Crises

This class explores the unfolding realization of how the pandemic increased the gap between rich and poor in many dimensions. The virus is disproportionately killing people in low-income jobs who don't have the privilege of working from home, but who will nonetheless be shamed for not distancing themselves. The virus is disproportionately killing black people, whose health had already been impoverished through centuries of structural racism, but who will nonetheless be personally blamed for their fate. The virus is disproportionately killing elderly people, who already shunted to the fringes of society will nonetheless be told to endure further loneliness so that everyone else can be freer.

Review: Do supply chain problem? Test your knowledge. Only answer the first order effects.

- a. represented by movement up the supply curve;
 - b. represented by a shift in the supply curve in or
 - c. affect the demand curve only. Go to your favorite chapter on Inflation.
- How and among what dimensions economists assess inequality. What is missing? What is most important? These are two short framing articles. Ghilarducci, "[Economists Weigh In On Covid-19 And Inequality](#)" *Forbes* Blog March 4 2021 & [Avoiding a K-Shaped Global Recovery](#)
 - **Gender equity:** The political economy of stay-at-home orders means that unpaid care work is in overdrive. Who wins and who loses use feminist economist views of care work. The effect on unpaid care labor is a production effect. Gender Equity. The Impact of COVID-19 on Gender Equality Titan M. Alon, Matthias Doepke, Jane Olmstead-Rumsey, Michèle Tertilt (NBER Working Paper 26947)
 - **Education equity:**
 - Not all children are affected equally by online education – – the laptop, in-school teaching, formal teaching supplement gap. The effects of school closures during the Covid-19 pandemic was studied carefully by researchers from the University of Pennsylvania, Yale, Amsterdam, and Northwestern. School closures had a large and persistent effect on educational outcomes. Students from poor neighborhoods suffered whereas children from rich neighborhoods remain unscathed because of gaps in school quality and poor children didn't mix with rich ones. If we couldn't keep the schools open, we could have considered the extra resources children of essential workers need and how much more aid poor schools need to keep their students on track. Some countries provided childcare specifically for the children of essential workers. Francesco Agostinelli, Matthias Doepke, Giuseppe Sorrenti & Fabrizio Zilibotti. When the Great Equalizer Shuts Down: Schools, Peers, and Parents in Pandemic Time <https://www.nber.org/papers/w28264> December 2020.

- A great natural experiment was performed because school districts varied their responses to the COVID-19 pandemic. After May 2020 there was substantial differences in the mode of instruction for a full year - 2020-21. Emily Oster of Brown University studied the effect of in-person schooling to student achievement scores for school districts in a 12 states. With Clare Halloran of Brown University, Rebecca Jack of the University of Nebraska at Lincoln, and James Okun of MIT, they find an overall decline in average test scores between 2020 and 2021 and school districts with less in-person instruction exhibit steeper declines and were lower income. Passing rates in math declined by 14.2 percentage points on average; we estimate this decline was 10.1 percentage points smaller for districts fully in-person. Changes in English language arts scores were smaller, but were significantly larger in districts with larger populations of students who are Black, Hispanic or eligible for free and reduced price lunch. [Here is a video and the paper](#). Emily Oster, Brown University and [NBERw29497](#), "[Pandemic Schooling Mode and Student Test Scores: Evidence from US States](#)", "Halloran, Clare and Jack, Rebecca and Okun, James C and Oster, Emily", "Working Paper Series" "29497 November 2021.
- Longevity Inequality:** Another effect of the recession [longevity inequality](#) is also likely to grow. Those most at risk of not living a normal human life span are being much more severely affected by this recession than in others because of the virus effect on those with diabetes and Other comorbidities which is correlated with socio economic status. [Covid-19 Makes Racial And Class Status Longevity Gaps Worse](#) Teresa Ghilarducci Mar 21, 2021 Everyone knows the poor die sooner than the rich. Some humans can live past 90, but many don't have access to the health and wealth that lets humans live a normal human life span. What fewer people appreciate is that the longevity gap is growing. As Boston University researchers Jacob Bor, Gregory Cohen and Sandro Galea [found](#), income and education gaps in life expectancy have widened in recent decades. Since 2001, middle- and high-income Americans gained more than 2 years in life expectancy while the poorest 5% gained essentially nothing.
- The Long-Term Impact of the COVID-19 Unemployment Shock on Life Expectancy and Mortality Rates.** - Francesco Bianchi, Giada Bianchi & Dongho Song [The Long-Term Impact of the COVID-19 Unemployment Shock on Life Expectancy and Mortality Rates](#) | [NBER](#) *Crystal Green, Laurelyn Mynhier, Jonathan Banfill, Phillip Edwards, Jungwon Kim and Richard Desjardins* discusses how to preparing education for for adaptability”, the authors present a framework for organizing education in times of risk including cooperation, inclusion, flexibility and “the lack of collective culpability” for the sustainability of education is causing educational systems to collapse. For this reason, we deem collectivization of risk a key component of our proposed *Framework for adaptability.*” Green, C., Mynhier, L., Banfill, J. *et al.* [Preparing education for the crises of tomorrow: A framework for adaptability.](#) *Int Rev Educ* **66**, 857–879 (2020).
- Effects of Recessions on Workers and new entrants college graduates** Recessions have permanent effects, especially on young entrants to the labor force. The economic fallout from the coronavirus crisis is disproportionately hitting young people? International Labour Organization found big drops in labor force participation. Economic research assesses costs from recessions. Jesse Rothstein the University of California, Berkeley found students who entered the workforce right after the global financial crisis in 2008 are doing worse, both in terms of their employment rate and wages, almost 10 years later compared with peers who graduated either right before them or after the recession was over. Millennials wealth accumulated hampered by two recessions, See report from [St. Louis Federal Reserve](#) Graduating just before or immediately after a downturn has a scarring effect on the generations affected. See Financial Times, US graduates in crisis: ‘entry level jobs are not safe at all’ -- Courtney Weaver in Washington <https://on.ft.com/3d8S5uC>

Friday January 21

How to prepare for the next pandemic by maximizing to social objectives: save lives and grow the economy equitably.

This class reviews policy goals from the point of view of a political economist. Imagine you are an expert in a meeting with top U.S. Congressional leaders and the President and you are to integrate health and economic and equity goals in the short, medium and long run.

1. Did other countries achieve a better tradeoff between health and wealth and equity?

Invest in health care: In this study of 6 nations the relation between duration of lockdown and numbers of infected people and deaths of Coronavirus disease 2019 (COVID-19), and growth level of Gross Domestic Product (GDP) were analyzed in the the first wave of COVID-19 pandemic. Austria, Portugal and Sweden had shorter days of lockdown and less confirmed per capita cases than countries with a longer period of lockdown-- France, Italy and Spain. Lockdowns of longer duration have generated negative effects on GDP growth because lockdowns cause a systematic deterioration of economic systems. But countries with higher per capita investments in healthcare have alleviated fatality rates of COVID-19 and have applied a shorter period of lockdown, reducing negative effects on economic system. Lessons learned is to reinforce the healthcare sector to have efficient health organizations to cope with pandemics of new viral agents by minimizing fatality rates; finally, high investments in health sector create the social conditions to apply lockdowns of short run with lower negative effects on socioeconomic systems. [Coccia M. \(2021\)](#). The relation between length of lockdown, numbers of infected people and deaths of Covid-19, and economic growth of countries: Lessons learned to cope with future pandemics similar to Covid-19 and to constrain the deterioration of economic system. *The Science of the Total Environment*, 775, 145801. <https://doi.org/10.1016/j.scitotenv.2021.145801>

No long term tradeoff: This paper uses a sample of 42 nations and OLS and IV methods to show that in the first three quarters of 2020 fatality rates drove growth. Panel regressions show that lockdown stringency is the most important driver of growth. More restrictive measures lead to lower GDP growth in the same quarter but are associated with a positive, catching-up effect in the following quarter. <https://www.intereconomics.eu/contents/year/2021/number/1/article/covid-19-lockdowns-fatality-rates-and-gdp-growth.html>

2. What does the cross-national evidence show us where the first dollar go when the nation confronts another novel, infectious, and dangerous virus? Looks like in non-Pharmaceutical investments -- masks, social distancing etc.

An immediate shutdown, universal testing, and quarantining vaccine mandate. Start with what economists considered during the COVID-19 pandemic. Also, what lessons spurred the items that ended up in the Build Back Better and Infrastructure bill that help keep an economy open during a pandemic. Second, what lessons did we learn from other nations who all share the same goal. [Here is the 2016 White House national preparedness plan which referred to the disease management](#). You may need to read about how the BBB pertains to public health investments and what it doesn't do and what it could do better?

[Public Health Infrastructure and Pandemic Preparedness Provisions in the Build Back Better Act | Kaiser Family Foundation](#)

What are the goals in managing a pandemic. Saving Lives? Not quite. At first it is to “flatten the Curve” until there is a vaccine and until people are vaccinated. 3. How can we build up public health systems so flattening the curve doesn’t impose such economic hardship and create inequality. Why Public Health Faces a Crisis Across the U.S.

<https://www.nytimes.com/2021/10/18/us/coronavirus-public-health.html?referringSource=articleShare>

3. Rebuilding a Post-Pandemic Economy: "On December 1, 2021, the Aspen Economic Strategy Group hosted a webinar on labor market trends, supply chain issues, and the inflation outlook. Deputy Treasury Secretary Wally Adeyemo discussed three areas of opportunity that policymakers should focus on in order to create a more inclusive economy. Chad Bown (PIIE), Jason Furman (Harvard University), Michael R. Strain (AEI), and Holly Wade (NFIB Research Center) discussed COVID - 19 impacts on trade policy, growth, inflation, and small businesses. Supply chain problems are mostly dealt with as longer-term investments. variety. Both Furman and Strain echoed concerns about the path of inflation. [Here is the link: https://www.economicstrategygroup.org/event/rebuilding/](https://www.economicstrategygroup.org/event/rebuilding/)
4. Can we improve on Biden’s plan?
Preparing for a new blueprint. Here is the 2016 blueprint (Trump disbanded)
Here is the 2021 Blueprint: [National Strategy for the COVID-19 Response](#),
Goal 1: Restore trust with the American people.
Goal 2: Mount a safe, effective, comprehensive vaccination campaign.
Goal 3: Mitigate spread through expanding masking, testing, treatment, data, workforce, and clear public health standards.
Goal 4: Immediately expand emergency relief and exercise the Defense Production Act.
Goal 5: Safely reopen schools, businesses, and travel, while protecting workers.
Goal 6: Protect those most at risk and advance equity, including across racial, ethnic and rural/urban lines.
Goal 7: Restore U.S. leadership globally and build better preparedness for future threats.

Saturday January 22

Oral Presentations

Classroom and University Policies

Academic Integrity and Honesty

Students are required to comply with the university policy on academic integrity found in the University's [Code of Student Conduct](#). If you are not familiar with these issues, take a moment to read the policy.

Accommodations for Disabilities

Applicants or students who need reasonable accommodations for their disabilities or who have complaints of discrimination on the basis of their disabilities are encouraged to consult and seek a resolution with the Director of the Office of Student Disability Services. The director may require the submission of adequate documentary evidence from medical professionals describing the injury, condition or disease which forms the basis of the disability, the resulting limitation(s) of function and various alternative accommodations which would remedy the circumstance or a statement identifying in detail the alleged discriminatory act(s).

Discrimination based on race, color, religion, creed, sex, national origin, age, disability, veteran status, or sexual orientation is a violation of state and federal law and/or University policy and will not be tolerated. Harassment of any person (either in the form of quid pro quo or creation of a hostile environment) based on race, color, religion, creed, sex, national origin, age, and disability will not be tolerated. Any person who feels that he or she has been the subject of prohibited discrimination, harassment, or retaliation should contact the Office for Student Rights and Responsibility Opportunity or you can file your complaint to the following website <https://www.newschool.edu/student-conduct/complaint-procedures/>.

Final list of requirements for policy memo writing:

Overview/2 minute version (will include recommendation)

- Arguments (along with any necessary background/context)
- Research/what is known
- Stakeholder landscape
- Alternatives
- FAQs/tough FAQs/talking points
- Appendices

1. Title

Your policy recommendation should have a clear title and convey your direct objective. Readers should know your position of an issue/problem just from reading your title. Prof. Ghilarducci has provided you with some good examples, such as:

- “Double spending on mental health from X to Y in every community with heavy crime by 2019.”
- “Raise minimum wage to \$13.45 per hour January 1 2017.”
- “Require every school district to get a child to a public school within 30 minutes with a seat belt.”
- “Raise the child credit on the federal income tax to \$1000 per child born after January 1, 2019.”
- “Raise the corporate tax rate on profits to 60% by January 19, 2019.”

2. Structure

- a. Your policy memo should have a concise logic model of your argument for specific policy. It is important that you start with your policy recommendation first then work on building your arguments.
- b. When structuring your arguments, make sure you cover the following questions:
 - i. WHAT is the issue/problem that are addressing?
 - ii. WHY it is your proposal important in addressing the issue/problem and why it is contentious?
 - iii. HOW are you going to implement this policy recommendation (remember Prof. Ghilarducci's suggestion, "if you have 7 minutes with the president, what would you tell the president to do?")
- c. Define your stakeholders.
 - i. Here what you want to focus on are the agents affected by your proposal.
 - ii. You should also identify the agents that will support and/or oppose your proposal. And explain their positions.
- d. Define your target audience.
 - i. Your memo should have a clear target audience. State to whom you are addressing this policy memo. Keep in mind that you want to be effective and have the most impact with your policy memo. So make sure you are addressing to the individual or institution that can make that policy implemented (i.e. US Congress, Department of Transportation, etc.).
 - ii. Knowing your audience is vital in the way you write the policy memo. Your audience shape structure and the usage of language.
- e. Keep your policy memo as clear and concise as possible.
 1. Following Heidi Shierholz's 9 "Policy Memo Commandments" (point 1), your policy memo should be "equally readable by someone with 2 minutes as someone with 10 minutes." Be precise and direct with your words. Keep it short.
 2. Prof. Ghilarducci's insight of cutting out adverbs is a good start.
 3. Another rule of thumb you can follow is to avoid writing anything you can't explain (point 7).
- f. Maximize sources
 1. Heidi Shierholtz encouraged you all to contact your sources. No one can make up their own policy recommendation. It is often useful to contact experts in this field to discuss the feasibility of your proposal.

3. Requirements

- a. 4-page memo (i.e. you are free to choose if it is single or doubled space) or approximately 2000 words.
- b. You can have as many supporting evidences in your appendix.
- c. If you are using secondary resources (data, tables, figures, etc.) make sure you label and cite them as clearly as you can. We discussed this in lab.
- d. Make sure you cite your resources and references in the bibliography.
- e. Follow religiously the guidelines of policy memo writing by Heidi Shierholz, Prof. Ghilarducci, and Prof. Milberg.