Discussion

“The U.S. Labor Market during the Beginning of the Pandemic Recession” by Cox et al. and
“Initial Impacts Of The Pandemic On Consumer Behavior: Evidence From Linked Income, Spending, And Savings Data” by Cajner et al.

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Personal Disposable Income and Personal Consumption Expenditures, 5/13 to 4/20

- Disposable Personal Income
- Personal Consumption Expenditures
Aggregate Employment and Spending
(Contribution: high frequency)

1. Spending spikes before national emergency & employment decline
2. Spending & employment fall together mid-March to mid-April
3. Spending recovers earlier (mid-April) & more (pandemic relief payments)
Changes by Wage Quintile/Income Quartile

Appears that government assistance and other is insuring spending levels across income groups
Changes by Industry

Again, government assistance is insuring spending, but a few industries are booming.
Concerns

- Cash and checks vs. credit and debit cards
  - Credit cards may be quite unreliable
Concerns

• Cash and checks vs. credit and debit cards
  – Credit cards may be quite unreliable
• Worker or employer movement in/out of ADP
• Representativeness of ADP/Chase customer base
  – More concerning for aggregate statistics (means)
    • E.g. errors in employment forecasts from UI claims, CES vs. ADP employment at continuing businesses April to May
    • Ultimately we can validate with representative data from CPS, LRD, retail sales data etc., but then we should just use
  – Less concerning for the relationship between individual-level variables (slopes)
    • But we cannot generally validate with representative data
• Real-time analysis as vetted, “academic” work
A few highlights: employment (blue new)

1. Confirming: most layoffs where producing/consuming is risky
2. Much greater job losses for low (ex ante) income
3. Most job loses at surviving employers: business closures account for 20% of employment declines
4. Job gains in May disproportionately from re-opening
5. Employment declines concentrated at small businesses
   • Is PPP doing much for $377b in CARES?
6. 50% of businesses reduced employment, 10% grew
7. Businesses cutting wages at 2x rate of Great Recession
   • (e.g. me) Wage cuts limit declines in employment?
A few highlights: consumption (blue new)

1. Confirming: most consumption declines for goods where producing or consuming is risky (e.g. restaurants, travel accommodations, personal services)
   - Non-essential spending is 84% of total declines in credit card spending

2. Similar percent declines in consumption across all income groups
   - Given higher share of necessities for low income groups, their utility from consumption may have fallen more

3. Spending recovers more rapidly for low income groups from mid-April into May

4. Consumption declines largely unrelated to industry of employment

5. Liquid wealth rises for all income groups, but remains higher for high income households
Conclusion

• Consumption decline appears largely by choice, and some employment and consumption declines are socially optimal, therefore no need for stimulus now as we don’t need extra supermarket and Netflix spending.

• But we need insurance. Economic Relief Payments have been critical. Is UI now able to stepping into that role? Is the coverage wide enough?

• We will need stimulus once we want to open (e.g. COVID-19 is contained or vaccine), supply shock becomes a demand shock (Guerrieri et al. 2020).

• Given the enormity of shock and evidence on wage cuts, maybe wages and prices are more flexible in this recession.

• Given the oversized impact on small businesses, we are likely to have more industry concentration and lost output due to higher markups.