Innovations in Measuring the Economic Impacts of COVID-19: Discussion

Karen Dynan
Harvard University

2020 ASSA Meetings
January 4, 2020

Outline

A few specific thoughts on Dunn, Hood, and Driessen

A few specific thoughts on Lewis, Mertens, Stock, and Trivedi

General thoughts on what type of information on the state of the economy is needed to make policy to address the economic fallout from the COVID-19 crisis

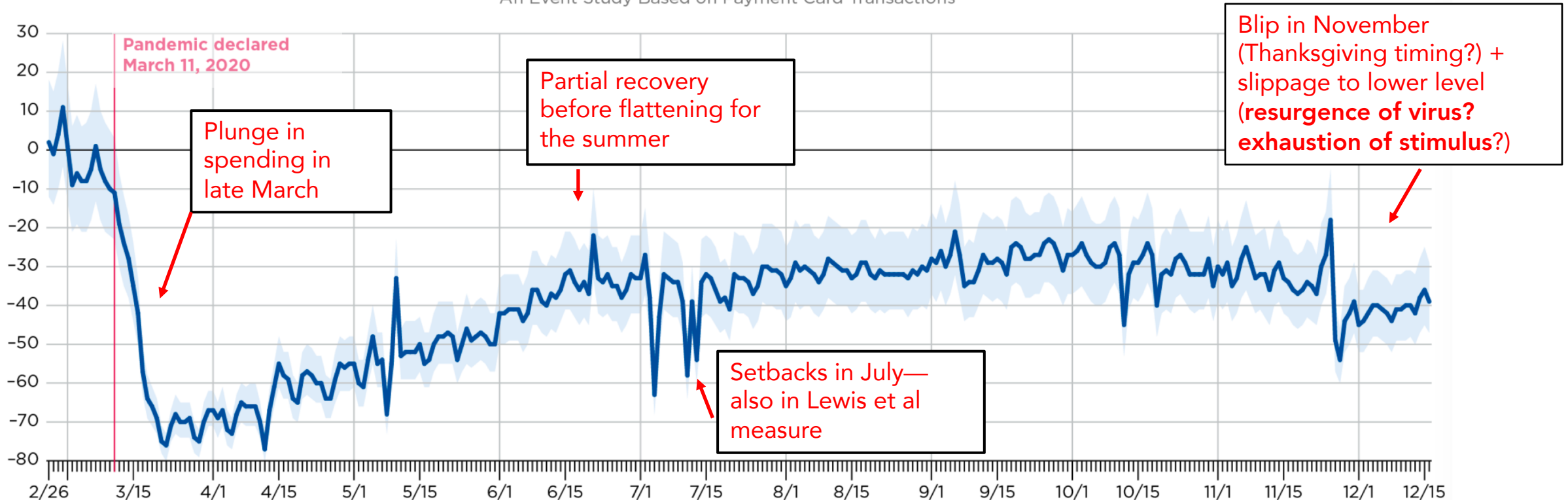# Dunn, Hood, and Driessen—daily spending by industry from payment card transactions data
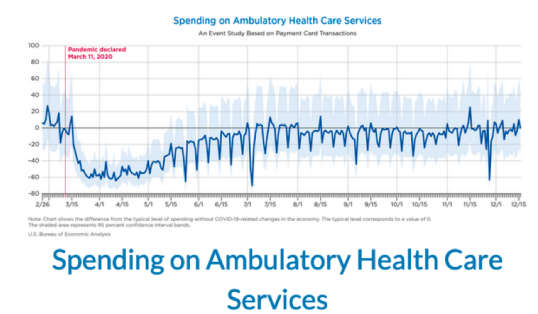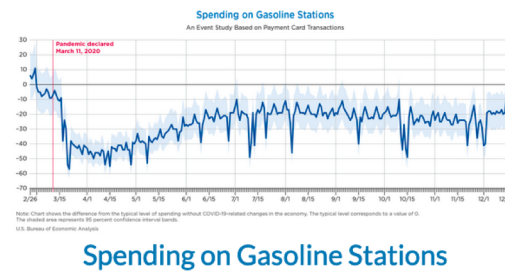
Screenshots from BEA website

The data allow us to paint a more timely and much richer picture of what's going on in the economy

Spending on Food Services and Drinking Places

An Event Study Based on Payment Card Transactions

Specific comments on Dunn, Hood, and Driessen

1. There are **benefits to having the federal statistical agencies involved** even though many others are using (and, in one case, regularly publishing) similar data to track the recession and recovery

    Likely to be more transparent about methods, have greater interest in stable public access, have greater statistical expertise and benefit from involvement with international counterparts (standardization is an issue!)

2. It's important to **acknowledge the limitations**

    Well done in this paper—recognition of skew toward brick and mortar, problems capturing entry and exit (potentially very big issues in this episode)

3. **More granularity** would be useful (will get to this issue later)

Lewis, Mertens, Stock, and Trivedi—weekly index based high-frequency indicators of activity
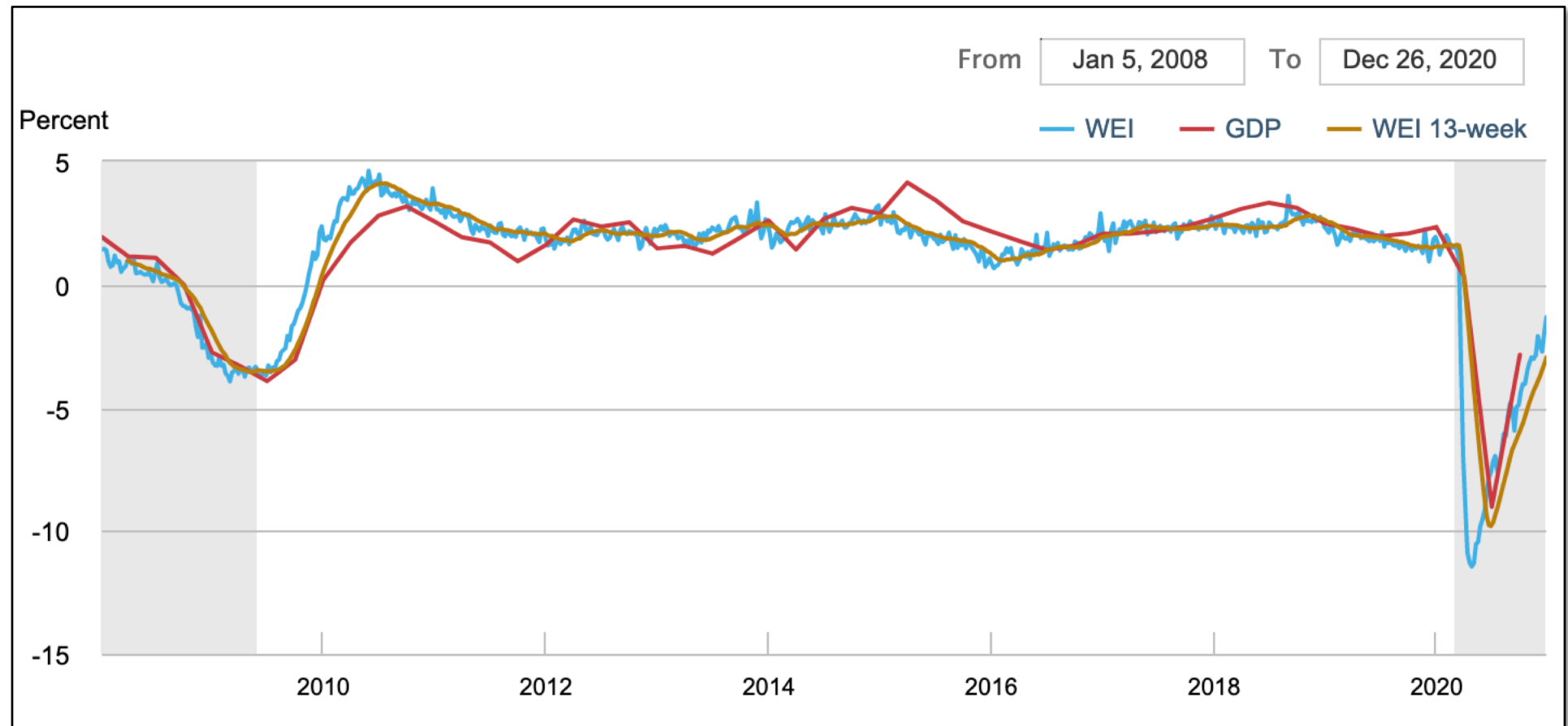
The index also provides a "nowcast" of real GDP growth

Spectacular performance nowcasting 2020:Q2
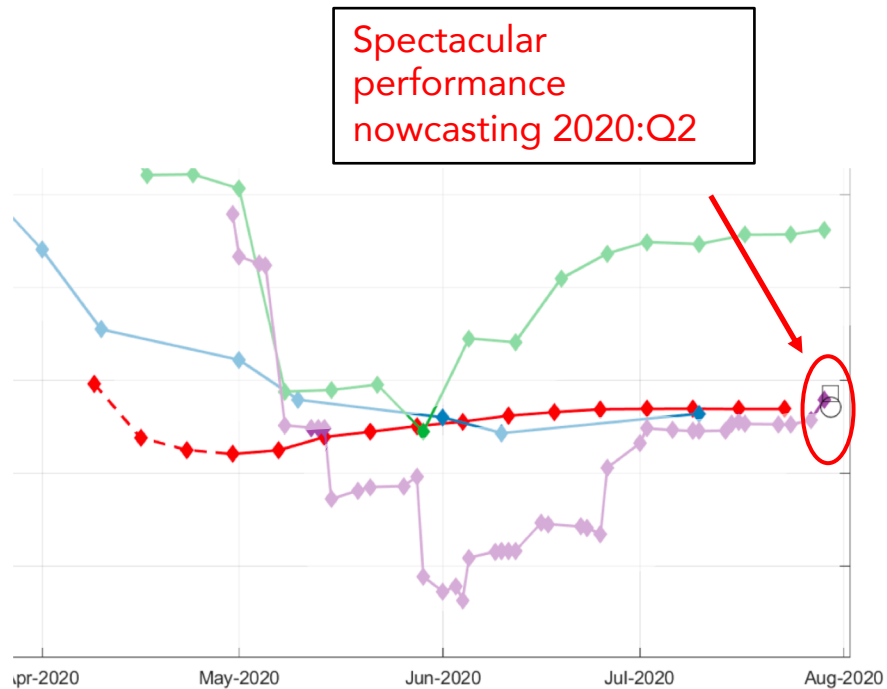
2020:Q2 Projections from *Wall Street Journal* Survey of Economic Forecasters

	Mean	Lowest 3	Highest 3
April	-25.3%	-47.5%	-4.8%
May	-32.3%	-52.6%	-9.7%
June	-33.5%	-48.4%	-12.6%

Specific comments on Lewis, Mertens, Stock, and Trivedi (1)

1. There's **great value to thinking through the Q3 miss** (WEI at ~18% versus BEA at 33%)

    Might have expected the WEI would *overestimate* Q3 given that the collapse was concentrated in services and the authors (like everyone else) do not have good weekly data specifically on services activity

    So is answer that the index puts a lot of weight on jobless claims and claims were elevated relative to GDP because of [overwhelmed systems](#), fraud, and the expansions of eligibility in the CARES Act?

Specific comments on Lewis, Mertens, Stock, and Trivedi (2)

2. How does the answer to #1 **inform how we should be thinking about Q4**? Super important given fiscal policy debates

Ongoing improvement shown by index is striking
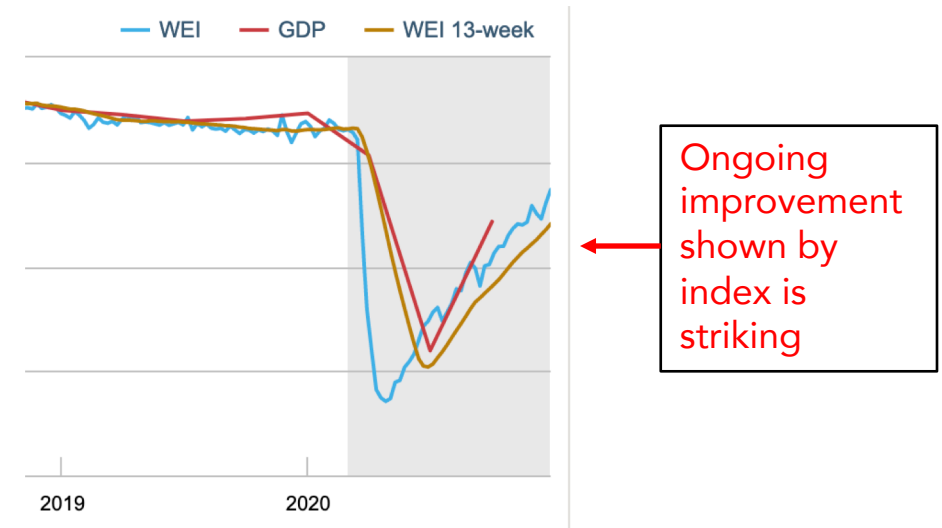
3. [More generally] I want to know more about how helpful this index will be **in detecting turning points** in the economy

   This turning point was obvious but does it predict past ones? Does it predict turning points that did not occur?

Dynan AEAStat Discussion

What else do policymakers need?

More granular data about **who is being affected**

More granular data about **where the weakness is concentrated**

More **reconciliation across different indicators of activity** (and different estimates of policy impacts)

Dynan AEAStat Discussion

Policymakers need more granular data about who is affected (1)

We know that job losses have **disproportionately hit low-wage workers**

We have a much weaker grasp on **how much hardship has been created**

- High reported levels of food scarcity, likelihood of eviction (Census Pulse)

- Credit and debt spending in low-income zip codes has held at pre-pandemic levels (tracktherecovery.org)

- Checking account balances falling but still above 2019 levels (JPMorgan Chase Institute)

- [Take with a grain of salt] delinquency rates (most), foreclosure rates, bankruptcy rates low (FRB-NY)

Policymakers need more granular data about who is affected (2)

Knowing the distribution of economic outcomes is **really important for fiscal policymaking**

   Needed to understand the amount—stimulus does not all flow into the cracks where it is needed

   To the degree that we can target, needed to know how to do it

   Needed to foster political will

Policymakers need more granular data about where the weakness is concentrated

Important in current episode

> To inform debate over near-term **federal support for states and localities**

> To shape policies to **address longer-term structural changes** (e.g. potential decline in downtown work areas due to longer-term shift to remote work)

Important in other contexts

> In the Great Recession, some funds were directed explicitly to the worst-hit states

> After hurricanes and other natural disasters, understanding the extent of problems in particular areas can guide aid and rebuilding packages

Policymakers need more reconciliation across different indicators of activity and estimates of policy impacts

The focus on nowcasting over the last decade, and the newer "big data" tracking efforts, have proved extraordinarily fruitful

But policymakers now have an embarrassment of riches and would be helped by some consolidation of attention to the most robust and most successful approaches

Survey evidence of what people did with stimulus checks shows big differences (Pulse Survey versus FRB-NY survey)

[Not to mention research showing greatly varying MPCs]

Policymakers need more consistent guidance on this

Conclusion

The past year has seen truly **remarkable innovations** in measurement of economic activity—which are of huge value to policymakers

These initiatives represent an important evolution, but not revolution, because they are **complements rather than substitutes** for traditional government measures of economic activity

In the future, government statistical agencies **should continue to improve** their longstanding measures and should incorporate new measures in their repertoire—and to do this they will need **adequate budget funding and support** from the profession