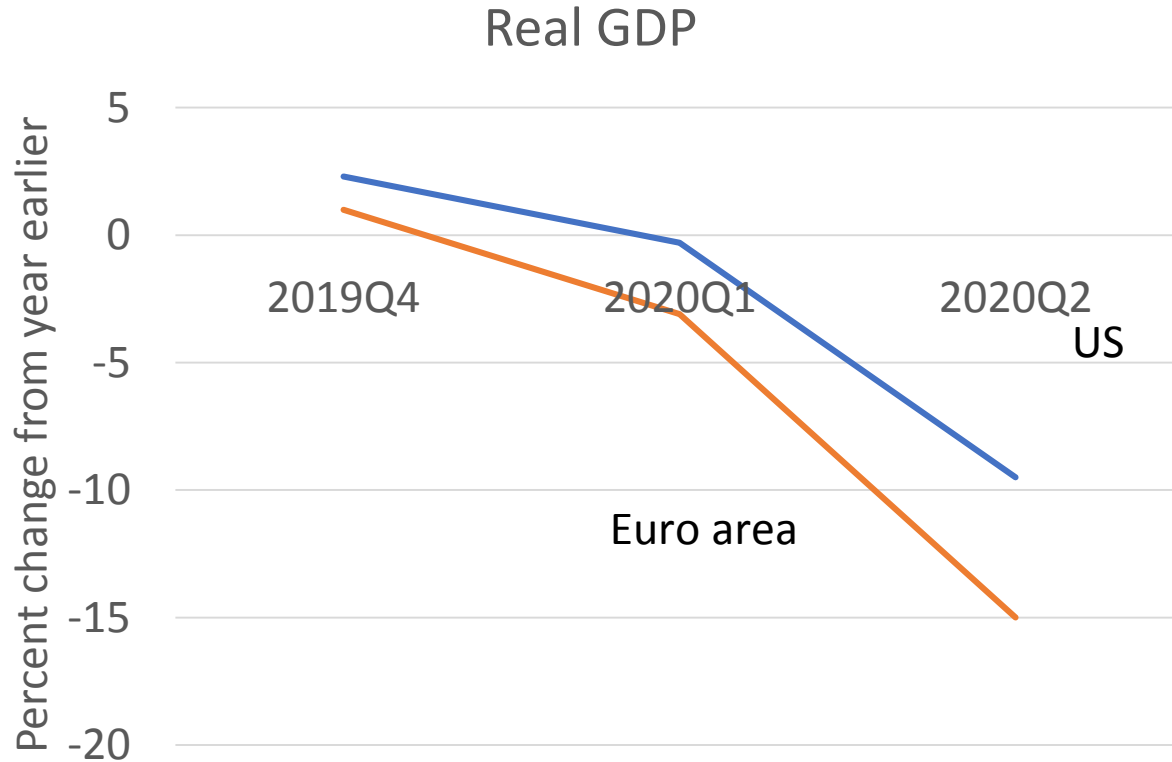


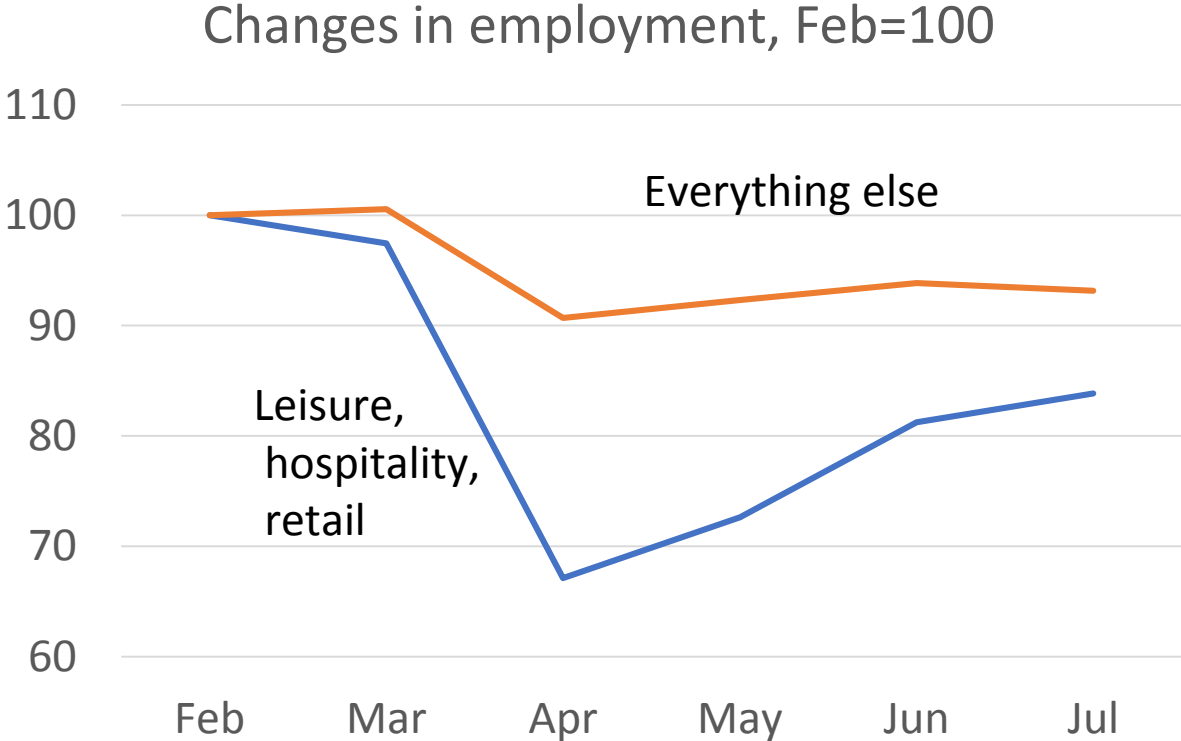
# The economy after Covid-19

Paul Krugman

# An incredibly severe slump



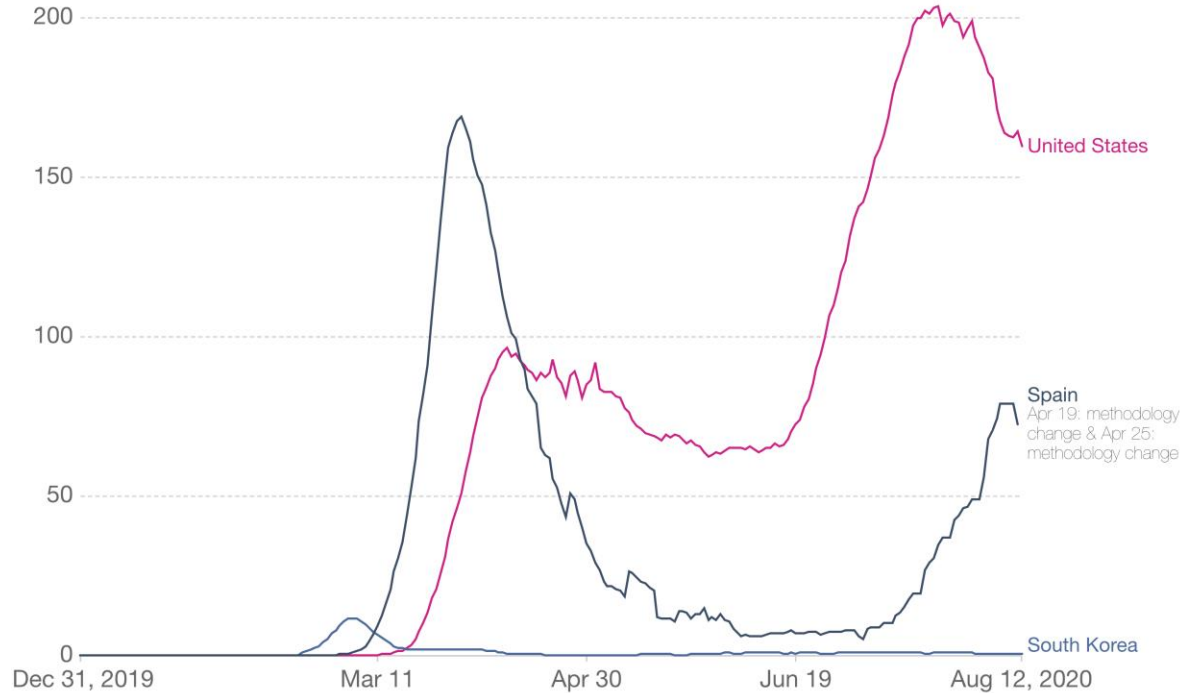
But so far very localized to high-risk activities



# Unfortunately, the second-wave risk is real

## Daily new confirmed COVID-19 cases per million people

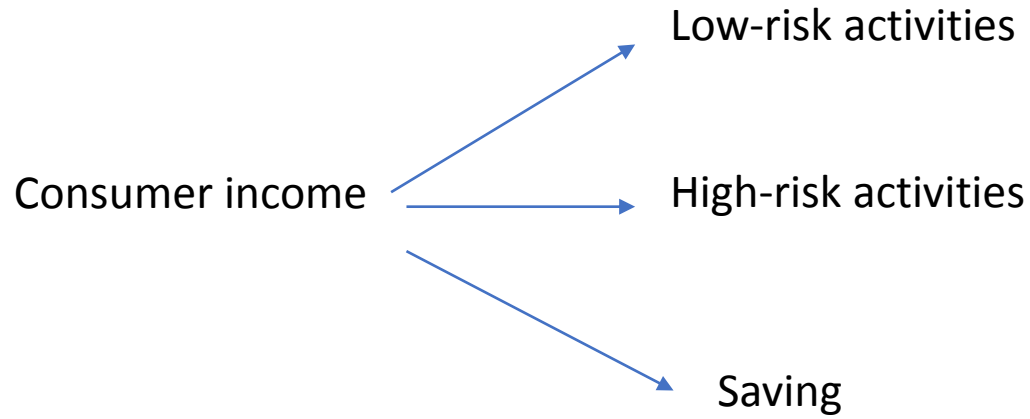
Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.



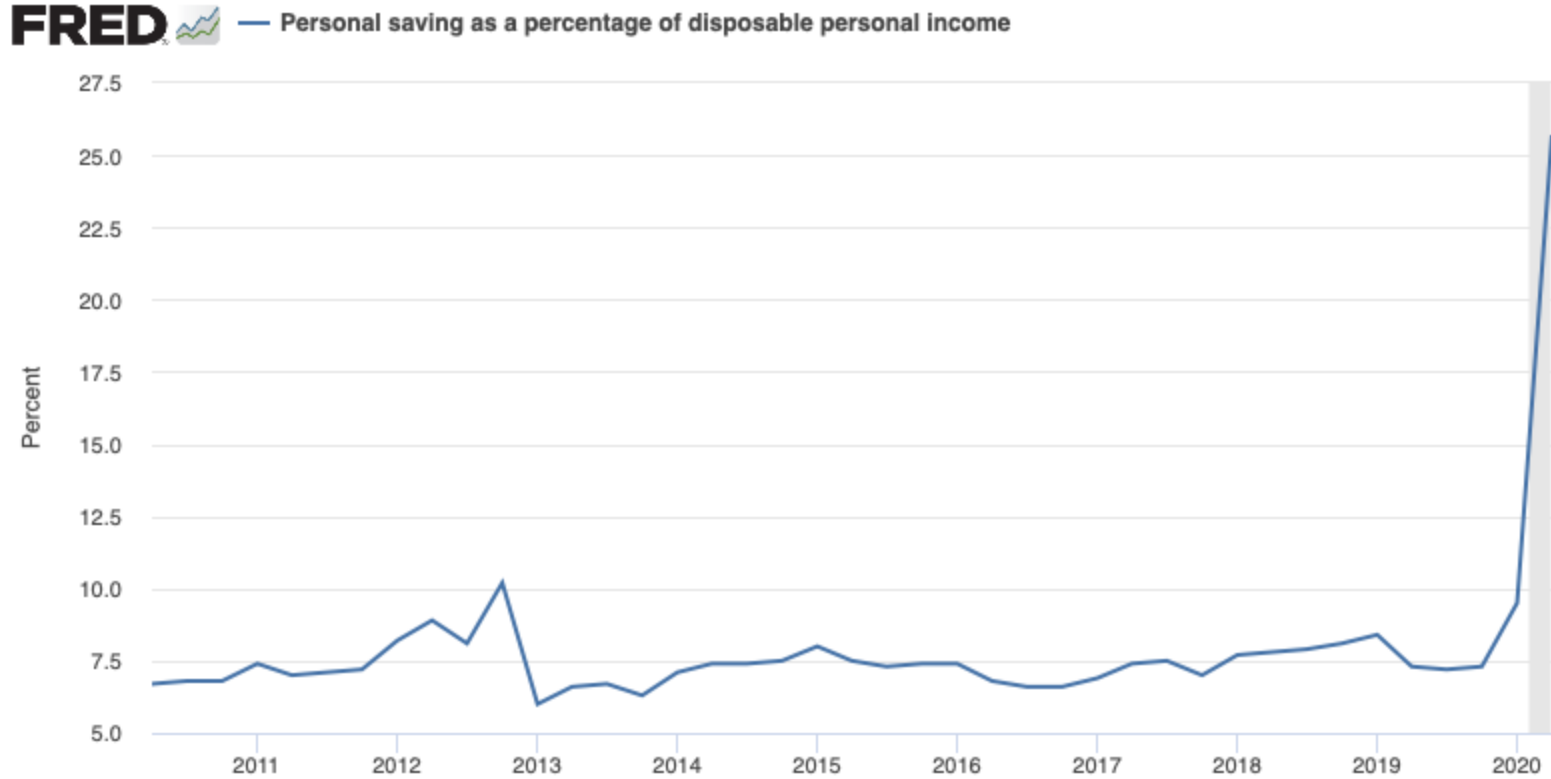
Source: European CDC – Situation Update Worldwide – Last updated 12 August, 10:34 (London time)

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# How do consumers respond?



# So far very little displacement

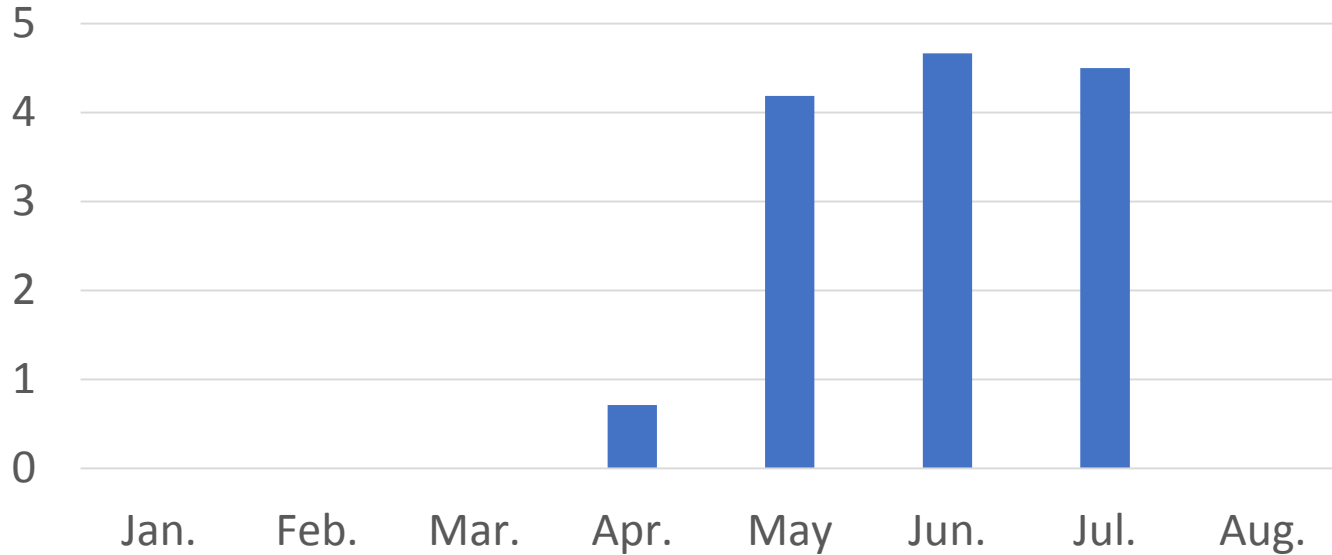


Source: U.S. Bureau of Economic Analysis

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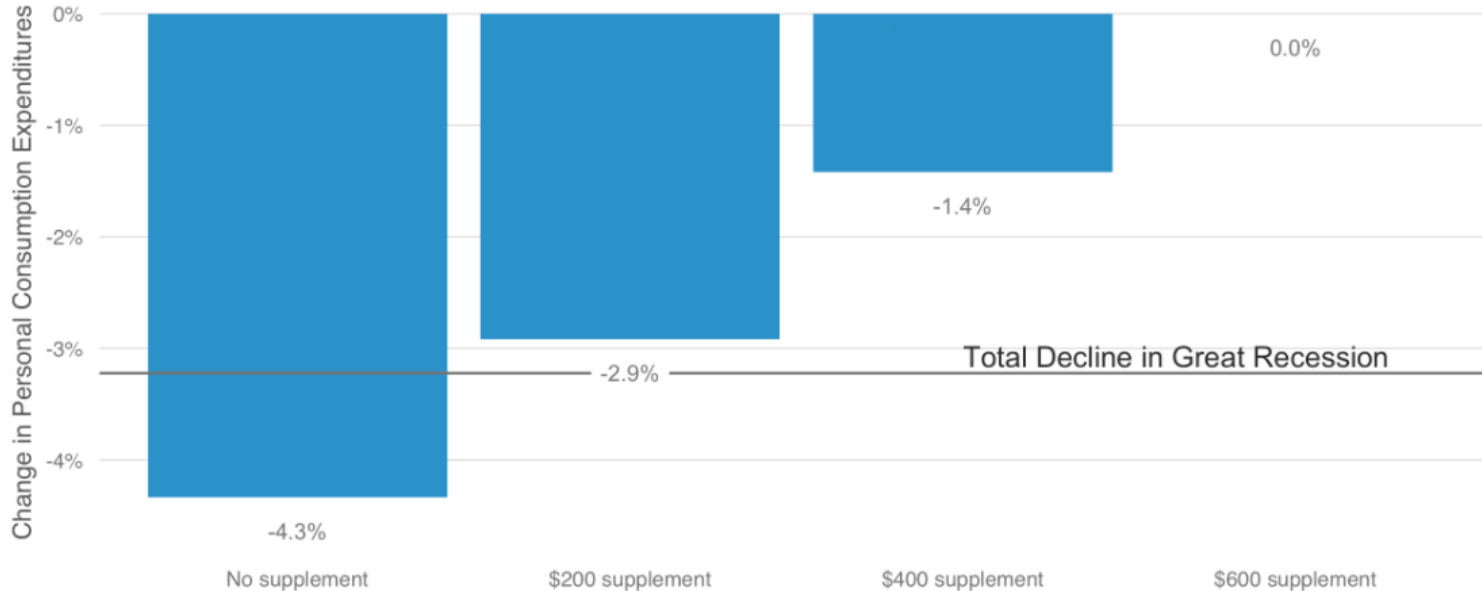
# Hence the need for massive income support

Pandemic Unemployment Compensation as % of income



# US at risk of major conventional recession

Predicted Consumption Impact of Alternative Unemployment Benefit Supplements



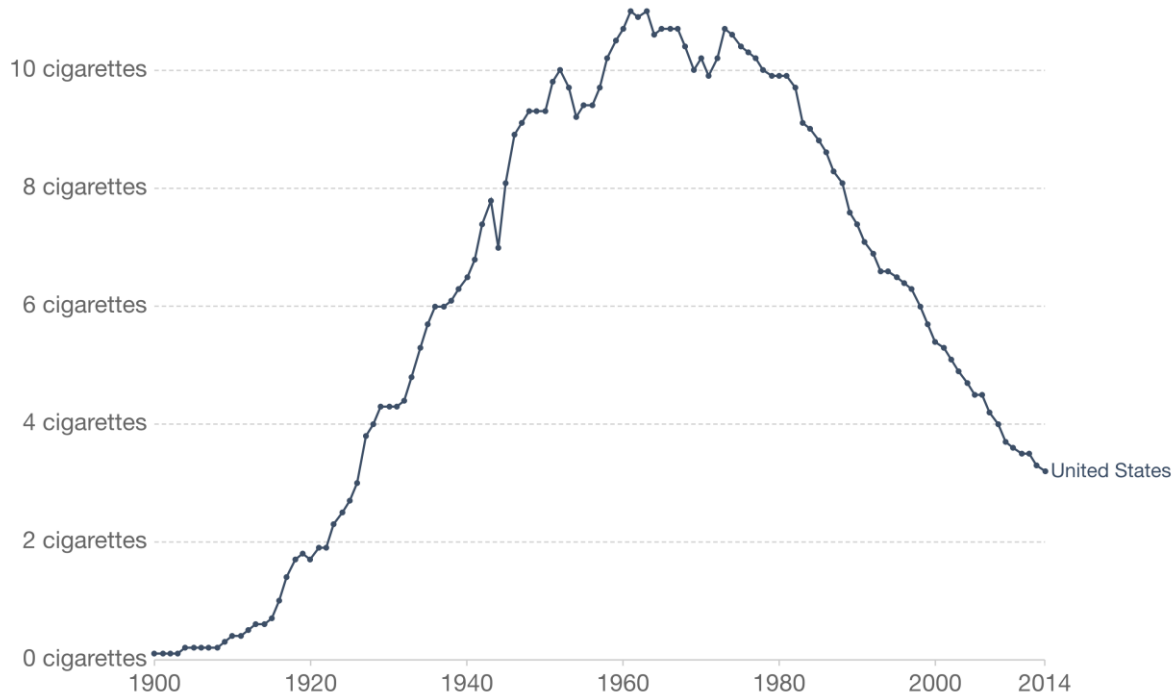
Source: calculations based on Farrell, Ganong, Greig, Liebeskind, Noel, and Vavra (2020)



# What if Covid never goes away? A historical parallel

## Sales of cigarettes per adult per day, 1900 to 2014

Figures include manufactured cigarettes, as well as estimated number of hand-rolled cigarettes, per adult (ages 15+) per day.

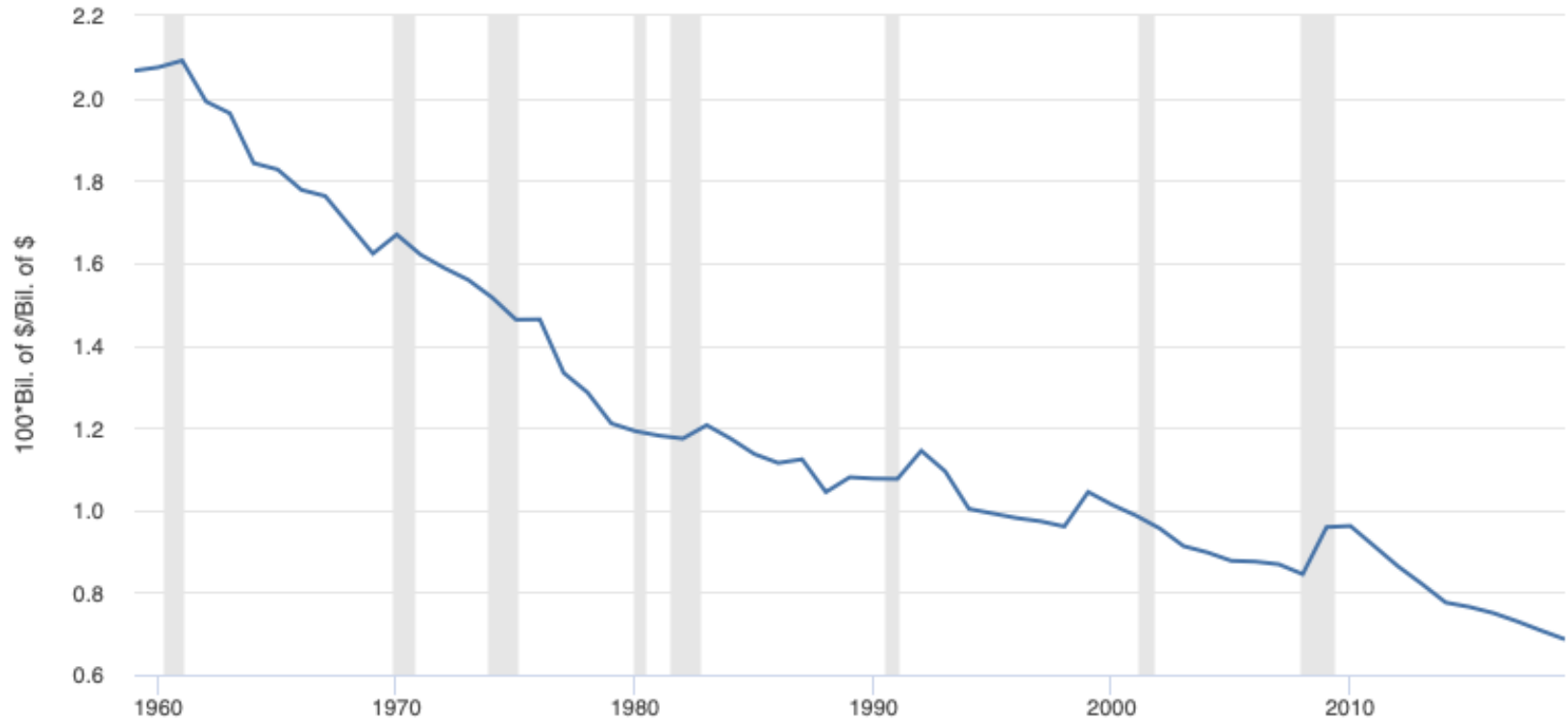


Source: International Smoking Statistics (2017)

OurWorldInData.org/smoking • CC BY

# People found other things to spend on!

**FRED**  — 100\*Personal consumption expenditures: Nondurable goods: Tobacco/Personal Consumption Expenditures



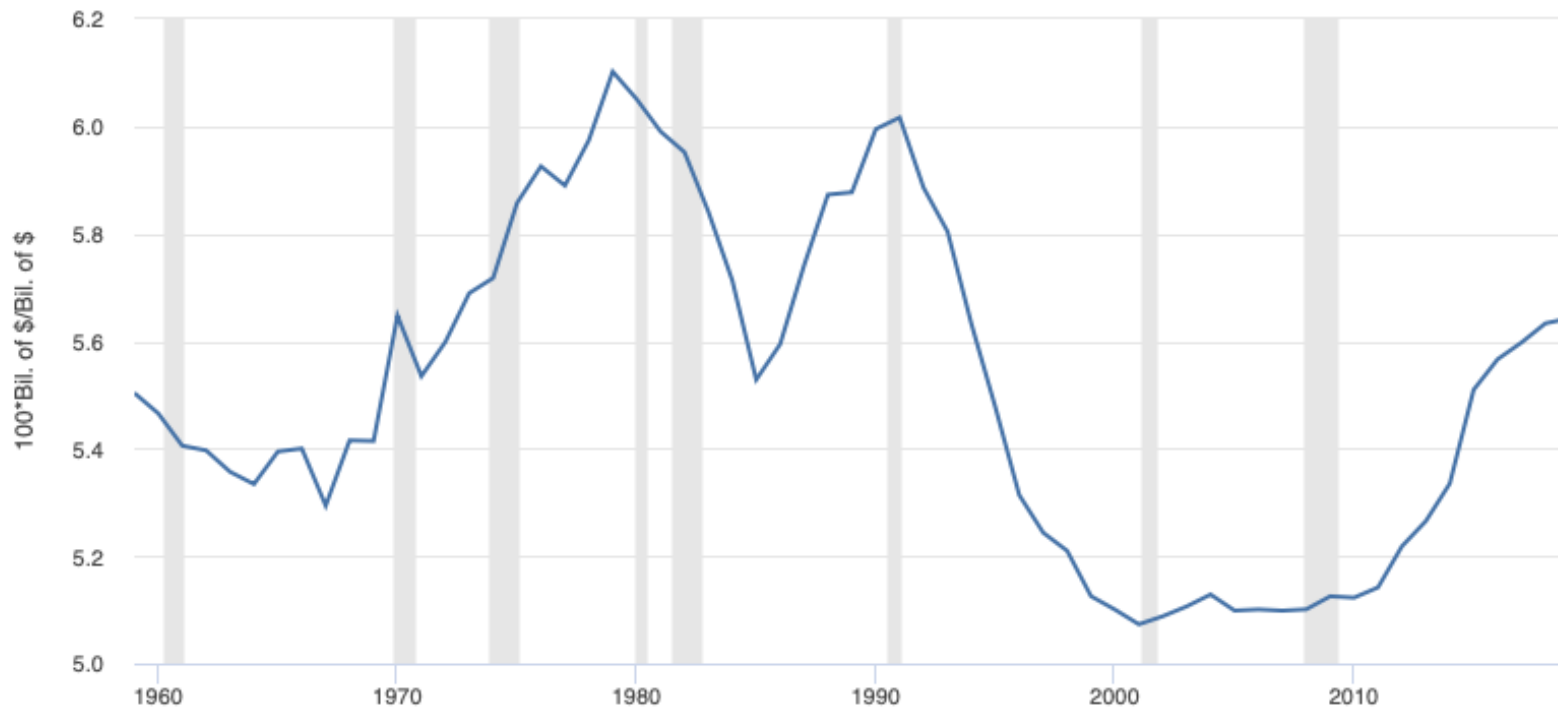
Source: U.S. Bureau of Economic Analysis

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# How big an adjustment this time?

**FRED**

— 100\*Personal consumption expenditures: Services: Purchased meals and beverages/Personal Consumption Expenditures



Source: U.S. Bureau of Economic Analysis

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