

THE GINN ECONOMIC BRIEF

U.S. ECONOMIC SITUATION OCT. 2020 | VANCE GINN, Ph.D., CHIEF ECONOMIST



OVERVIEW: Many Americans are recovering after the economic destruction that started in March from the COVID-19 pandemic and lockdowns by state and local governments. While the economy and labor market continue to improve, the policy recommendations outlined here would help speed up that process so America can quickly return to the prosperous conditions of February.

GDPNOW ESTIMATES
35%
REAL GDP GROWTH IN
Q3: 2020

What's the best way America can recover from the recession?
Click for the answer!

ECONOMIC GROWTH: The recent U.S. economic expansion peaked in February 2020 and a recession ensued in March from individual responses and government lockdowns due to COVID-19. But indicators suggest a relatively robust recovery in the third quarter as about a dozen states have completely reopened their economies and most others have partially reopened.

To evaluate the economic situation over time (and the recent economic fallout), the data below are from the [U.S. Bureau of Economic Analysis](#) that I retrieved from Fed FRED for a comparison of real GDP and real private GDP, which excludes the [government sector](#), as it can crowd out activity (see [Alesina & Ardagna](#), [Mulligan](#), and [Taylor](#)).

	Q3:2009 - Q4:2016	Q1:2017 - Q4:2019	Q1: 2020	Q2: 2020
Real GDP (end of period)	\$17.9T	\$19.3T	\$19.0T	\$17.3T
Annualized Growth (avg for period)	+2.3%	+2.5%	-5.0%	-31.4%
Real Private GDP (end of period)	\$14.7T	\$15.9T	\$15.7T	\$13.9T
Annualized Growth (avg for period)	+3.0%	+2.6%	-6.2%	-37.4%

First, both real GDP and real private GDP have declined by \$2T, which are record annual paces of contraction, during the first two quarters of 2020.

Second, the average annualized growth per quarter during the last expansion (June 2009 to February 2020) was 2.3% in real GDP and 2.9% in real private GDP. Breaking this expansion into periods of the Obama (Q3:2009-Q4:2016) and Trump (Q1:2017-Q4:2019) administrations, there was a higher average real GDP growth rate during the Trump administration but there was a higher average real private GDP growth rate during the Obama administration. A reason for this is that the government sector, as measured by real government expenditure and gross investment, increased at a 1.9% pace during the Trump administration and declined at a 0.6% pace during the Obama administration primarily due to The Budget Control Act of 2011, otherwise known as the “Boehner Rule.”

Fortunately, the resulting increased economic activity from openings across the country in Q3:2020 has contributed to the Atlanta Fed’s GDPNow estimate for that quarter being revised up to at least a 35% increase in real GDP.

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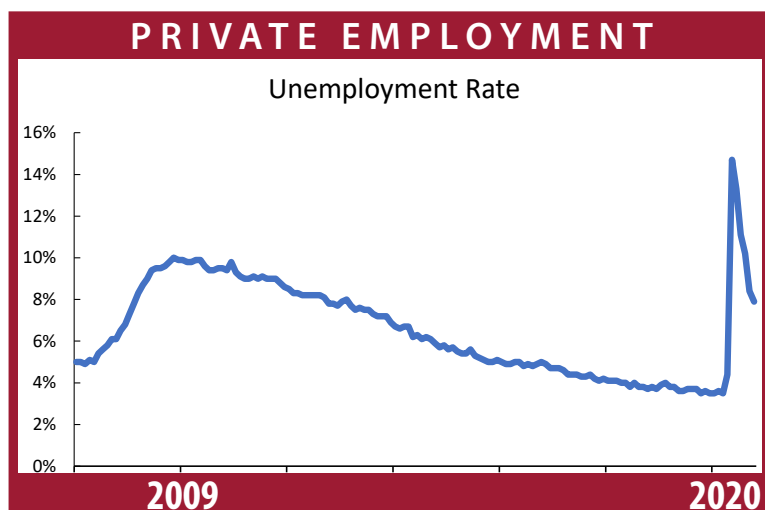
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LABOR MARKET: The U.S. Bureau of Labor Statistics recently released the [U.S. jobs report](#) for September 2020. The labor market continues to improve as the productive [private sector](#) added 877,000 jobs that month, raising the total gains in that sector to 11.4 million jobs added since April, which is 54% of the 21.2 million jobs lost during March and April.

	JUNE 2009	FEBRUARY 2020	APRIL 2020	SEPT. 2020
Prime-Age (25-54 years old) Employment Rate	75.9%	80.5%	69.7%	75.0%
Unemployment Rate (U3)	9.5%	3.5%	14.7%	7.9%
Private Employment	108.4M	129.7M	108.5M	119.9M

Data compare the following: 1) June 2009 was the dated trough of the last recession, 2) February 2020 was the dated peak of the last expansion, 3) April 2020 is the low for most labor market data, and 4) September 2020 is the latest period.



These data indicate how many Americans' livelihoods have flourished since the Great Recession that was from December 2007 to June 2009 until February 2020. They also highlight the weakness in the labor market thereafter to April from the severity and quickness of the depth of the COVID-related recession.

BOTTOM LINE: The U.S. economy and labor market have been improving but there is a need for more pro-growth policies like those during the last 3 years that supported the [historic prosperity](#), such as a record low poverty rate and a record high real median household income, until the COVID-19 pandemic hit in March.

RECOMMENDATIONS to improve the economy and the livelihoods of Americans

- [Safely reopen society](#) by ending state and local government-mandated lockdowns.
- Get businesses operating and workers working again, such as with [TPPF's Recovery Act](#).
- Set [pro-growth path](#): fiscal rule to prioritize and limit spending, reform taxes and regulations.