



From the editor

Charles Steindel¹

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This issue consists of work related to the COVID-19 pandemic. The author's analyses reflect conditions as of no later than the late summer and early autumn of 2020; the situation may well have changed significantly since that time—for instance, any implications of the surge in cases in many states and nations with the start of cooler weather is not discussed.

The first piece is a speech by Claudio Borio of the BIS, discussing the general worldwide economic policy response. Borio documents the unprecedented speed and magnitude of the fiscal and monetary policy changes. These succeeded in arresting the initial crises in financial markets and in economic activity. If the health emergency is successfully addressed, conditions can return to more normal. A critical problem after the crisis finally passes will be rebuilding policy buffers, as well as the need to rationalize financial market regulation in order to lessen the necessity for extraordinary central bank interventions in troubled times. Also, while the recent close coordination of fiscal and monetary policy has been warranted, the restoration of traditional boundaries between the two should be on the table.

Patricia Mosser discusses in more detail central bank actions, particularly the Fed's. Even compared to the great financial crisis, the scale of the recent actions has been enormous, along such dimensions as backstopping the financial system through unprecedented asset purchases, quickly reducing policy rates to their effective lower bounds, and the creation of new lending facilities. A major question is what more central banks can do, given their legal and institutional constraints, if conditions deteriorate.

Alan Auerbach and William Gale look at the federal budget. Simply put, the huge volume of spending that has been done to address the fallout of the pandemic, along with the deterioration in federal revenues, has led to a radical expansion of the federal debt: the level and slope of the debt

outlook has increased. Very low interest rates have been a partial offset, but the need for longer-term actions to cap debt growth has increased.

Former BLS Commissioner Erica Groshen discusses the labor market. She documents the enormous deterioration of last spring, along with the brisk, but so far only partial, recovery. She discusses precisely how BLS tracks ongoing developments, the problems that the pandemic created in compiling accurate measures, and why BLS did not adjust their figures in cases where significant numbers of respondents apparently misreported their labor market status.

Gerald Cohen focuses on how alternative data sources have been used to keep tabs on the economy during this unprecedented event. He concentrates on new very high frequency measures of the labor market, such as the Census Bureau's Household Pulse survey, and the Homebase data on hours worked. Cohen finds that given the difficulties of reconciling some of these alternatives with the basic government figures, along with their limited track record, "Many more questions than answers remain."

Three papers discuss developments in major sectors. Chad Moutray examines manufacturing, documenting the sharp overall decline and recovery, and honing in on some key industries. Manufacturers are now actively examining the lessons of the pandemic for the organization of their workforce and production, including supply chains. At the same time, there are questions on how the extraordinary developments of 2020 can be systematically brought into formal models used to guide decision-making.

"Everybody" found themselves suddenly working remotely in March and dependent on technology tools they had been only dimly aware of. Carolyn Evans examines how the tech sector has risen to the challenge, documenting the striking increase in remote activity and the demand for tech products. Aside from "everybody's" frustration with remote meetings, what has become apparent is that inequalities may become reinforced by unequal access to tech.

Health care, of course, is the sector at the core of the pandemic. Corwin Rhyan, George Miller, and Ani Turner document the seemingly paradoxical evidence that health care

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was one of the hardest hit areas. Basically, everyday health procedures—dental work a particularly clear example—contracted at an extraordinary rate when the pandemic hit, much more than offsetting the surge in treatment of COVID cases. This led to the remarkable decline in overall usage of health-care services and its relatively modest recovery.

The final *Economics at Work* piece turns to how economists have coped during these times. Diane Swonk gathered reports from a number of NABE members about their experiences during the pandemic—how their lives changed, how they started working differently, and how the pandemic has changed their thinking.

Two members of the editorial board of *Business Economics* passed away in recent months: Roger Bird and Frank Schott. Both were long-time NABE members; Roger had served as president of the Philadelphia chapter and Frank, as I'm sure many of you know, had served as NABE president. Roger was my favorite “go-to” person for a review of a submitted paper—always on time, always with a clearly written and decisive report. I was also charmed by his use of “avian” in his business's name and web address!

Frank has been lauded by many. I will add my bit. He and I were long-time members of New York area economic groups. The year I served as president of the Forecasters Club of New York, Frank was the winner of one of our

semi-annual forecast competitions. When I called Frank to tell him he won, he requested that instead of the usual prize given to the winner (a bottle of wine) we get him a copy of Greg Mankiw's then new principles textbook. From the standpoint of the club's finances that request was potentially alarming (textbooks, of course, cost a *lot* more than even a fine bottle of wine), but I contacted Mankiw, who provided us with a complimentary copy. That request shows Frank's intense dedication to economics: was there something new in the basics and how they are taught that he—at that time very much retired from day to day work—should be up on? Later on, I conducted a video interview with Frank as part of the New York Fed's Centennial Project (Frank started his career at the Fed, and we often chatted about how life on Maiden Lane changed over the decades) and learned much about his remarkable life and career.

In sum, Roger and Frank were epitomes of the finest business economists. They will be sorely missed.

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