Kansas in Crisis

Difficult Choices Ahead

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Caveats

• These slides were completed on April 27, 2020

• Things will have changed by the time you see this presentation.

• This presentation is based on my readings and data from sources noted throughout.
Overview

• Update on the Coronavirus in Kansas and the United States
  • Have we bent the curve?
  • Testing Updates
• What’s happened to the economy so far?
  • State budget problems
• Hard Choices:
  • When and how to reopen the economy?
The US and Kansas have a Pandemic (data through April 26, 2020 4:00 PM)

In both Kansas cases grew by 72% in the past week and deaths were 28% higher. Cases accelerated but deaths have fallen. In the US cases grew by 28% and deaths were 37% higher in the past week. Both rates were slower than the previously.
Financial Times shows that US has started to bend the curve.

Source: https://www.ft.com/coronavirus-latest
Growth in COVID-19 Cases has varied by County

In the five largest counties, growth rates have varied significantly.

- Douglas and Shawnee counties have flattened the curve.
- Johnson and Wyandotte, counties—not so much
- Sedgwick has accelerated cases.
In counties with meatpacking plants cases have spiked.

- Ford county cases are 2 times higher this week.
- Seward county cases are 3.5 times higher.
- Lyon and Finney counties appear to have reporting delays.
Social Distancing Across the State

- Data based on travel and cellphone mobility.
  - April 24th
- Darker colors indicate that these counties are doing a better job of social distancing.
  - Johnson County has done the best in terms of social distancing

Source: University of Maryland COVID-19 Impact Analysis
https://data.covid.umd.edu/
Testing has been uneven across the country

- Using data from the COVID Tracking project, we calculated the number of tests per 1,000 people in each state
  - Kansas has performed only 9 tests per 1,000 people
  - The US average is 16.5 tests per 1,000.
Testing Results are also Uneven

- Calculated the share of positive tests.
  - 12.1% of Kansas tests are positive.
  - 12.7% of US tests are positive
COVID-19 and the US & Kansas Economies

It’s not good.
The Stock Market: January 1 – April 3, 2020

The Dow Jones Industrial Average peaked at 29,348 on February 12th.
- It bottomed out on March 23rd, and recovered to on April 24th. 23,775
- Down about 19% since the peak

Nasdaq has recovered more relative to the Dow.

Source: FRED https://fred.stlouisfed.org/series/DJIA
James Stock has developed a Weekly Economic Activity Index that is scaled to 4th Quarter 2019 GDP growth.

- The index has dropped to -11.7%
- This indicates that GDP for this quarter is forecast to be nearly 12% lower.

Source: FRED https://fred.stlouisfed.org/
Unemployment Claims Continue to Soar

- **US Initial Unemployment Claims are still at historic highs**
  - Over 26.5 million unemployed in a month.

- Based on the US Labor Force in February 2020 the US the unemployment rate is approximately 20%
  - The majority of these workers have lost employer-backed health insurance.

Source: [https://www.dol.gov/ui/data.pdf](https://www.dol.gov/ui/data.pdf)
Since March 14th a total of 177,731 workers have filed initial unemployment claims in Kansas.

Based on February Labor Force projections the Unemployment Rate in Kansas is approximately 13%.

- Data from March 14th – April 18th

Source: Calculations using KS and MO Department of Labor Data
I calculated the share of initial unemployment claims for all of March and April over total employment by industry in February, 2020. Industries are ranked by share of total employment. Government, health care, manufacturing and retail trade are 53% of total employment in the state.
Cumulative Unemployment Claims in Kansas

- Top 5 Industries with Cumulative Jobs Lost:
  - Manufacturing 44,011
  - Accommodation & Food Service 30,581
  - Health Care & Social Assistance 20,288
  - Retail Trade 19,025
  - Other Services 13,274

Data March 14—April 18

Source: Ginther calculations using Kansas Department of Labor Data
Cumulative Unemployment Claims by County

- Top 5 Counties by Cumulative Initial Claims:
  - Sedgwick 54,400
  - Johnson 32,838
  - Shawnee 11,836
  - Wyandotte 9,187
  - Douglas 9,100

Data calculated March 14th – April 18th

Source: IPSR calculations using Kansas Department of Labor Data
Estimated Unemployment Rate by County

- Top 5 Counties by unemployment rate:
  - Wilson 21.8%
  - Sedgwick 21.2%
  - Sumner 20.5%
  - Butler 16.4%
  - Montgomery 14.3%

- Unemployment rates are lower on the Kansas side of KC Metro:
  - Jackson 11.3%; Clay 13.7%

Source: IPSR calculations using Kansas Department of Labor Data
What’s Happening to Economic Growth (GDP)

- GDP = C + I + G + (X-M)
  - C = Consumption (68%)
  - I = Investment (17%)
  - G = Government (18%)
  - X – M = Net Exports (-2.9%)

- Consumption patterns have changed dramatically
  - Retail sales fell by a historic -8.7% last month

- Government Expenditures will increase
- WTO projects trade to fall by 13% – 32%
Sectors that contribute most to Kansas growth with above average unemployment:

- Manufacturing 26% UE & 16% of GSP
- Health Services 11% UE & 7.5% of GSP
- Retail 13% UE & 6.4% GSP

Source: Author’s calculations.
Meatpacking has been identified as a weak link in food supply chain

- Covid-19 outbreaks in meatpacking plants put the meat supply chain at risk.
- Kansas Counties with meatpacking plants have seen exponential growth in cases.

Meatpacking has outbreaks across the US

As they rushed to maintain U.S. meat supply, big processors saw plants become covid-19 hot spots, worker illnesses spike
Several big meat companies failed to provide masks to all workers, some of whom said they were told to keep working in crowded plants, Post investigation finds

By Taylor Telford and Kimberly Kindy
April 25, 2020 at 3:28 p.m. CDT

Goldstein & Lee (2020) estimated period of life expectancy is down three years and the estimated cost of mortality in the US in terms of statistical life is $6 - $10 trillion.

- Source: [https://www.nber.org/papers/w27430](https://www.nber.org/papers/w27430)

Mulligan (2020) estimates the cost of the shutdown in economic activity to be $7 trillion at an annual rate.

- Source: [https://www.nber.org/papers/w27060](https://www.nber.org/papers/w27060)

Gupta et al (2020) analyze individual responses to social distancing policy. They find significant increases in social distancing before policies were implemented, but that once a state implemented policy social distancing increased.

- Source: [https://www.nber.org/papers/w27027](https://www.nber.org/papers/w27027)
COVID-19 and Economic Policy

States are Facing Budget Shortfalls
Coronavirus Aid, Relief and Economic Security (CARES) Act

• Paycheck Protection Program lends money to small businesses via banks.
  • Loan forgiveness if the small business keeps workers on the payroll
  • Many problems reported with getting access to money
  • Not enough money to meet the need
  • Congress added $310 billion in addition to the $350 billion already loaned out.

• Today was the first day to apply for additional funds and the system is crashing.
Paycheck Protection Program Benefited Kansas because of Community Banking

Source: IPSR calculations using 2017 Statistics of US Businesses

- Businesses who had strong relationships with banks and smaller banks associated with more PPP loans.
Still Need CARE—The States

• Paycheck Protection Program did not include additional funding to support state governments.
  • During the Great Recession the federal government did support the states.
  • Sen McConnell suggested that states could declare bankruptcy.
• State governments by law are required to balance their budgets.
  • Reduced tax revenue will lead to slashes in public services without federal intervention.
Still Needing CARE—The States FY2020 Revenue

The Consensus Revenue Estimating Committee announced that Kansas FY 2020 General Fund Revenues projected to fall $826.9 million 7.4%

Still Needing CARE—The States FY2021 Revenue

- The Consensus Revenue Estimating Committee announced that Kansas FY 2021 General Fund Revenues projected to fall $445 million 5.8%

Still Need CARE—The States

• States are requesting $500 billion in additional financial assistance.

• The Center for Budget Policy Priorities Recommends:
  • Increasing the federal share of Medicaid costs to prevent Medicaid cuts when more people will be needing health care.
  • Frees up state resources to spend on other parts of the government.
  • Increase Coronavirus Relief Fund and allow more flexibility in spending these funds.
Making Hard Choices

When to Reopen the Economy?
Some States Have Started to Reopen

• Many states have shelter in place orders until the end of the month.
• Georgia started to reopen on April 24th.
• Texas:
  • All retail stores, restaurants, movie theaters, malls, museums, and libraries are permitted to reopen on Friday, May 1, but must limit their capacity to 25% of their listed occupancy.
• Virginia Stay at Home until June 10th.
Lifting the Stay-at-Home Order

• Governor Kelly was interviewed by the New York Times (4/25/20):
  • “We are nowhere near where we need to be with testing supplies,” she said on Thursday. “I’m looking down a lot of rabbit holes trying to figure out how we are going to get those test kits here. It’s imperative if we are going to be able to lift that stay-at-home order.”

Dr. Lee Norman:
- “What is an acceptable level of risk?” Dr. Norman asked. “We cannot get it down to zero, so how can we guarantee that people won’t get sick?”
- Whatever the course of action, he said, “there will be death.”

Disinfectant as a Cure?

Kansas reports 40 percent increase in chemical cases since Trump’s comments about disinfectants

• Kansas health officer Lee Norman said at a news conference in Topeka that one case included “a fellow over the weekend who drank a product because of the advice he’d received.” Norman did not offer any details.

Surveys as Alternative Approaches to Testing

- Facebook & Carnegie Mellon University are surveying people.
- As of April 25, 2020 these surveys suggest that the following share of people in the counties are reporting symptoms:
  - Johnson County 0.22% (1,325 Cases)
  - Sedgwick County 1.02% (5,264 Cases)
  - Saline County 0.1% (54 cases)

Survey is non-random sample of people responding to Facebook, Google and other online surveys.

Source: https://covid-survey.dataforgood.fb.com/
Economic Impacts of COVID-19

• In future lectures we will continue to monitor the economic fallout from the COVID-19 epidemic.
• We will also monitor the policy responses.
• I hope that you all stay healthy!
Thank You!