

THE GINN ECONOMIC BRIEF

U.S. ECONOMIC SITUATION APRIL 2021 | VANCE GINN, PhD, CHIEF ECONOMIST



6.0%
**UNEMPLOYMENT
RATE IN MARCH 2021**

**How much spending
has Congress
authorized during
the pandemic?**
Click for the answer!

OVERVIEW: Many Americans continue recovering from the recession that began in March 2020 due to the COVID-19 pandemic and forced business closures by state and local governments. The economy had expanded in the second half of 2020 as many of those governments removed or reduced restrictions on the private sector. However, the growth stalled a little at the beginning of 2021 as many governments re-imposed restrictions as cases and hospitalizations spiked. Fortunately, those governmental restrictions have been reduced again and the economy looks to have picked up, helping Americans regain the tangible prosperity experienced until March of last year. We need more openings and pro-growth policies to let people prosper.

ECONOMIC GROWTH: The latest U.S. economic expansion peaked in February 2020 and a recession ensued in March from [individual responses to the pandemic and ensuing government lockdowns](#). But economic indicators suggest a slowing recovery as states re-imposed [pandemic-related restrictions](#) on businesses because of increased COVID-19 cases. To put the economic situation into perspective, the data below from the [U.S. Bureau of Economic Analysis](#) and Fed FRED show a comparison of [real gross domestic product](#) (GDP) and real private GDP,

which excludes [government consumption expenditures and gross investment](#), as it can crowd out activity in the productive private sector (see [Mulligan, Alesina & Ardagna](#), and [Taylor](#)).

	Q3:2009- Q4:2016	Q1:2017- Q4:2019	Q2:2020	Q3:2020	Q4:2020
Real GDP (end of period)	\$17.9T	\$19.3T	\$17.3T	\$18.6T	\$18.8T
Annualized Growth (avg for period)	+2.3%	+2.5%	-31.4%	+33.4%	+4.3%
Real Private GDP (end of period)	\$14.7T	\$15.9T	\$13.9T	\$15.3T	\$15.5T
Annualized Growth (avg for period)	+3.0%	+2.6%	-37.4%	+44.2%	+5.5%

Both real GDP and real private GDP remain about \$500 billion below their latest peaks in Q4:2019. From Q4:2019 to Q4:2020, real GDP contracted by 2.4%, and real private GDP was down by 2.8%, noting the hit to Americans' livelihoods across the nation during the pandemic and forced shutdowns.

During the last expansion (June 2009 to February 2020), the average annualized growth per quarter was 2.5% in real GDP and 2.6% in real private GDP. Separating this expansion into periods of the Obama (Q3:2009-Q4:2016) and Trump (Q1:2017-Q4:2019) administrations, there was higher real GDP growth during Trump but higher real private GDP growth during Obama. A reason for this is that government spending increased at a 1.9% pace during Trump and declined at a 0.6% pace during Obama primarily from the expenditure limitations in the [Budget Control Act of 2011](#), which helped reduce crowding out of private sector resources.

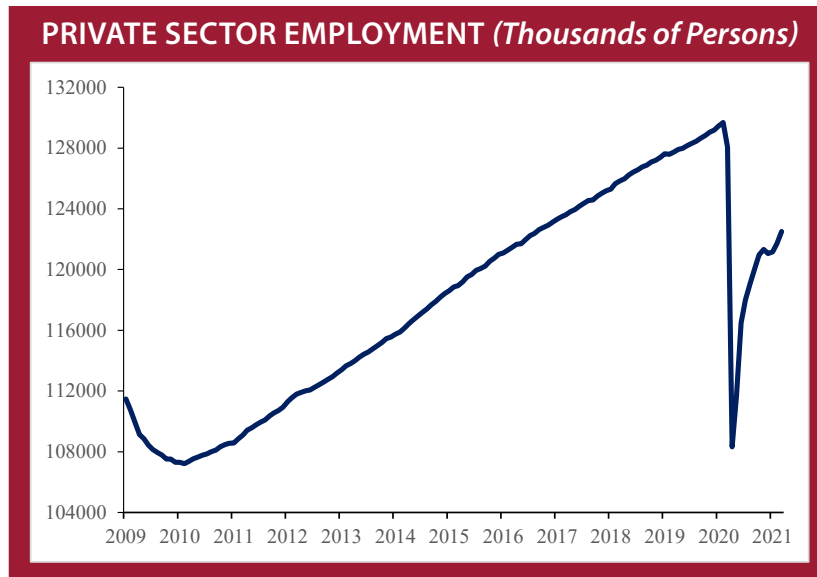
High deficits and taxes are always and everywhere a spending problem. As the federal debt, even excluding unfunded liabilities, now [exceeds the economy](#), the federal government should follow a [fiscal rule](#) of a maximum spending limit based on population growth plus inflation, which could be called a Responsible American Budget—similar to the Foundation's [Conservative Texas Budget](#). This rule would support less redistribution of taxpayer dollars and more economic growth to improve an unsustainable fiscal path, which has been exacerbated over the last year and included policies that hinder economic prosperity.



LABOR MARKET: The U.S. Bureau of Labor Statistics recently released the [U.S. jobs report](#) for March 2021. The labor market continues to improve as the productive [private sector](#) has now added more than 14.2 million jobs since the pandemic and government-forced shutdowns caused the private sector to cut 21.4 million jobs over March and April 2020.

	JUNE 2009	FEBRUARY 2020	APRIL 2020	MARCH 2021
Prime-Age (25-54 years old) Employment Rate	75.9%	80.5%	69.7%	76.8%
Unemployment Rate (U3)	9.5%	3.5%	14.7%	6.0%
Private Sector Employment	108.4M	129.7M	108.3M	122.5M

Data compare the following: 1) June 2009—Dated trough of the last U.S. recession, 2) February 2020—Dated peak of the last expansion, 3) April 2020 is the low for most labor market data, and 4) March 2021 is the latest period.



These data show how many Americans' livelihoods improved since the Great Recession and until February 2020. They also highlight both the weakness in the labor market thereafter and until April 2020, due to the severity and quickness of the depth of the COVID-related recession, and the improvements starting in May.

BOTTOM LINE: The U.S. economy and labor market have been improving but more states should open as the COVID-19 vaccine helps reach herd immunity. Every level of government should pass pro-growth policies. The path forward should look more like those policies by the Trump administration from 2017 to 2019 that supported [historic prosperity](#) until the COVID-19 pandemic instead of the \$6 trillion authorized by Congress during the pandemic and potential tax hikes by the Biden administration. The [cure cannot be worse](#) than the novel coronavirus, and now is the time to return to normal.

RECOMMENDATIONS

to improve the economy and the livelihoods of Americans

- [Safely open](#) by ending state and local governments' restrictions, as in Texas and Florida, while protecting the vulnerable and Americans' livelihoods with a [targeted, temporary, and timely approach](#).
- Focus relief on vaccines and [those in need](#); avoid more "stimulus" that only [stimulates more government](#).
- Set a [pro-growth path: less spending, taxing, regulating](#) as in the Foundation's [Responsible Recovery Agenda](#) in Texas, which would include the Responsible American Budget.