

Will COVID-19 Leave Lasting Economic Scars?

After reading the article (https://www.richmondfed.org/publications/research/economic_brief/2020/eb_20-07) answer the following questions:

1. What past crisis can we study in order to gain insight into COVID's aftermath? How are they similar?
2. Based on Figure 1 (page 2), which variables recovered to pre-crisis levels for the worst hit counties?
3. During the housing crisis what happened to GDP and employment in the short-run?
4. Based on Figure 2 (page 2), which sector(s) of the economy exhibited the boom-bust pattern?
5. According to Bhattarai, Schwartzman, and Yang, how can temporary economic shocks leave lasting scars on employment and output?

GLOSSARY

Business cycle: The fluctuating levels of economic activity in an economy over a period of time measured from the beginning of one recession to the beginning of the next.

Debt: Money owed in exchange for loans or for goods or services purchased with credit.

Gross Domestic Product (GDP): The total market value, expressed in dollars, of all final goods and services produced in an economy in a given year.

Recession: A period of declining real income and rising unemployment; significant decline in general economic activity extending over a period of time.

Unemployment: A condition where people at least 16 years old are without jobs and actively seeking work.

Unemployment rate: The percentage of the labor force that is willing and able to work, does not currently have a job, and is actively looking for employment.

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Figure 1: County-Level Changes in Economic Variables by Severity of Declines in Housing Net Worth

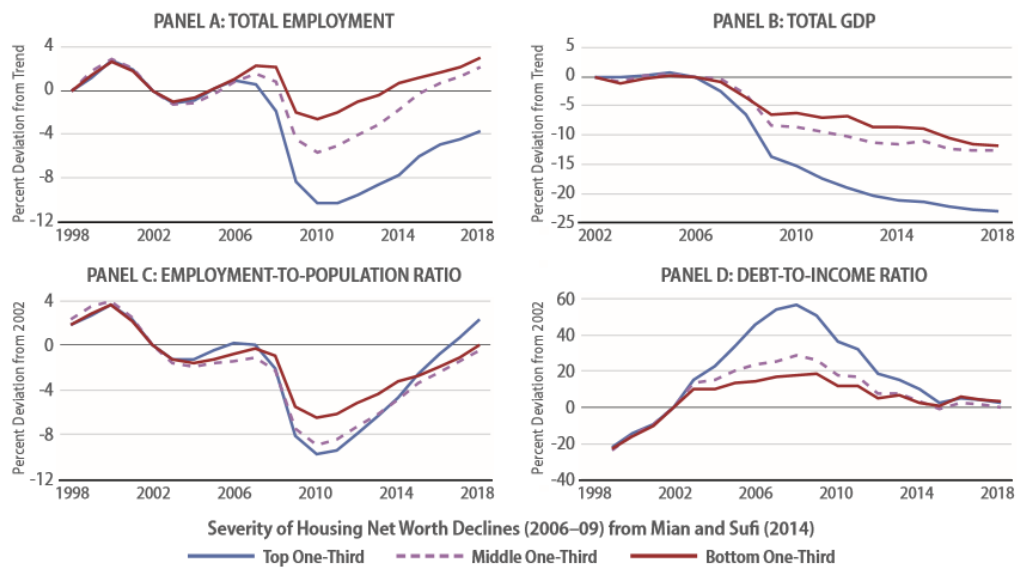


Figure 2: Changes in Employment by Sector

