

The logo features a central dark blue circle with the letters 'UIC' in light blue. This circle is surrounded by a yellow ring, which is further enclosed by a red ring. Four thick lines radiate from the center: a yellow line pointing up and to the right, a red line pointing up and to the left, a yellow line pointing down, and a red line pointing down and to the right. The background is a solid light blue.

UIC

Alumni Exchange

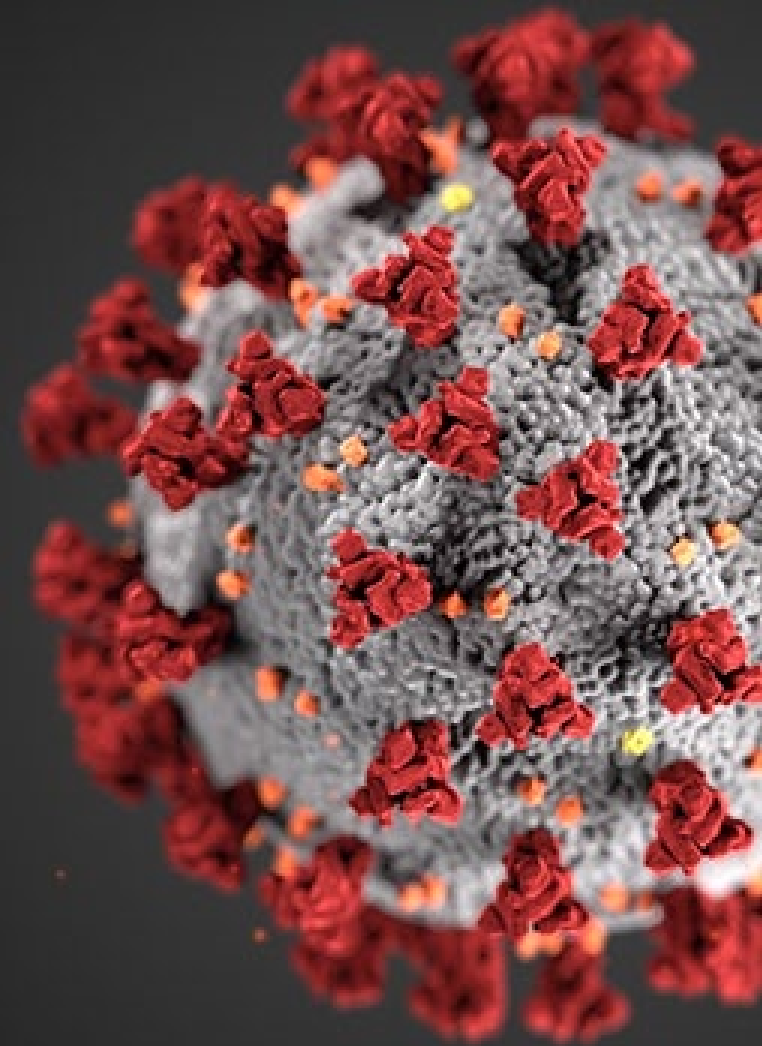
**ALUMNI
ASSOCIATION**



Alumni
Exchange

Explaining the Unprecedented: Lunch With An Economist

ALUMNI
ASSOCIATION





Alumni
Exchange

Ground Rules

1. This is all about economics
2. No politics, no virology
3. Looking forward, not rehashing how we got here

ALUMNI
ASSOCIATION

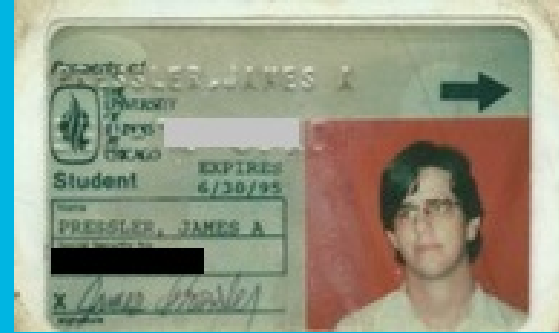


Alumni
Exchange

How I got here

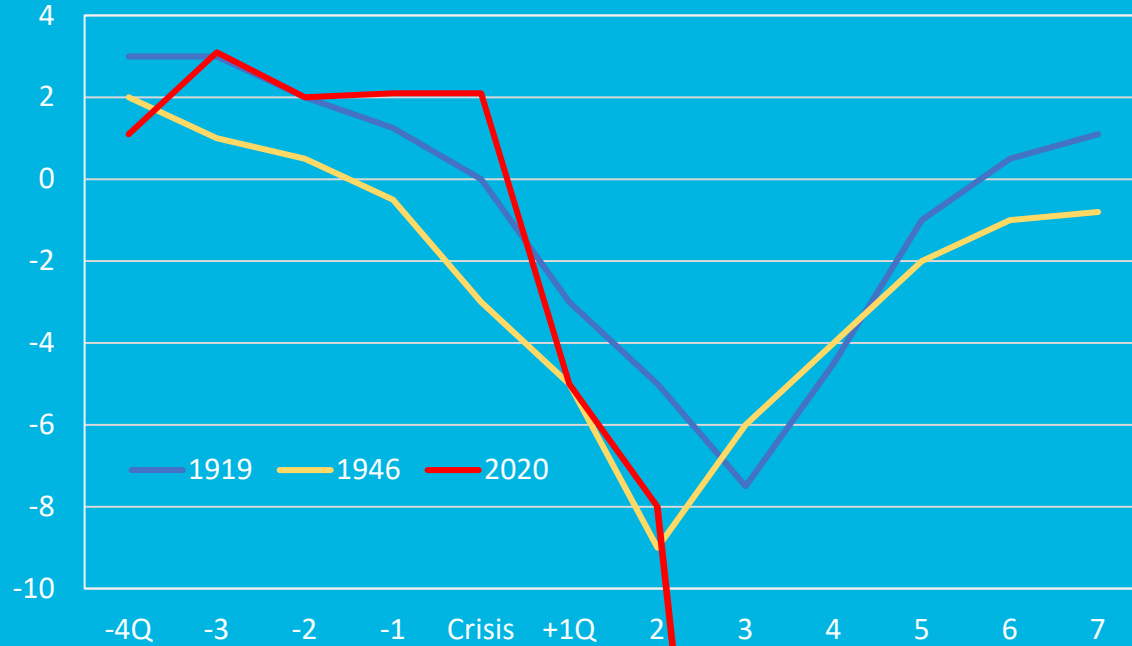
- James Pressler, B.S. 1994
- Northern Trust - 1993
Economist for 20 years
- Consultant, BTD Economics, since 2015

Worked through US market bubbles, Great Recession, international coups, regional panics, crises, devaluations and defaults



“This one’s new to me”

History offers us a few notes – GDP growth now versus then





Alumni
Exchange

Where are we now? – poll

- Early stages of a depression
- First part of a recession
- Worst (low point) of a recession
- Beginning of a recovery



Alumni
Exchange

Here be monsters
(or dragons)

ALUMNI
ASSOCIATION





Alumni
Exchange

Typical recession traits

- Negative economic growth
- Rising unemployment/job destruction
- Economic slack

ALUMNI
ASSOCIATION



Alumni
Exchange

Recessions are parts of the economic cycle, but...

- Current situation – abrupt, against the cycle
- Producers, consumers unprepared
- Cyclical disruption takes away guidance

(economists hate this)

ALUMNI
ASSOCIATION



Alumni
Exchange

Other things economists hate:

- Events without precedent
- Crises without guidance
- Uncertainty

ALUMNI
ASSOCIATION



Alumni
Exchange

Does the trouble vanish with COVID-19?

- Some damage will be permanent
 - Jobs will not return
 - Supply chains left in disarray
 - Debts will weigh on future growth

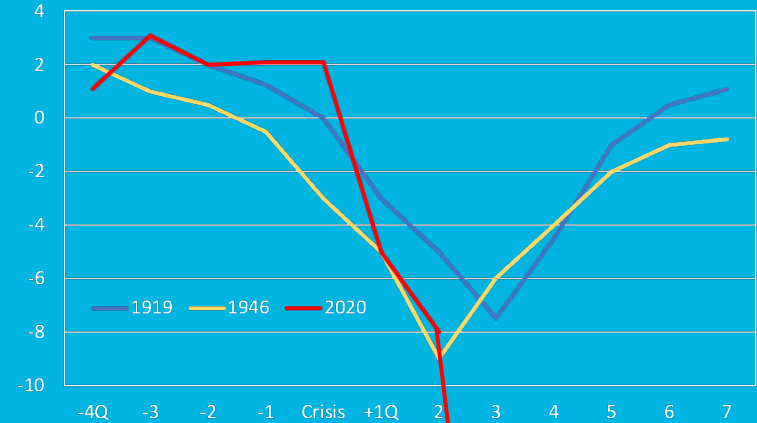
ALUMNI
ASSOCIATION

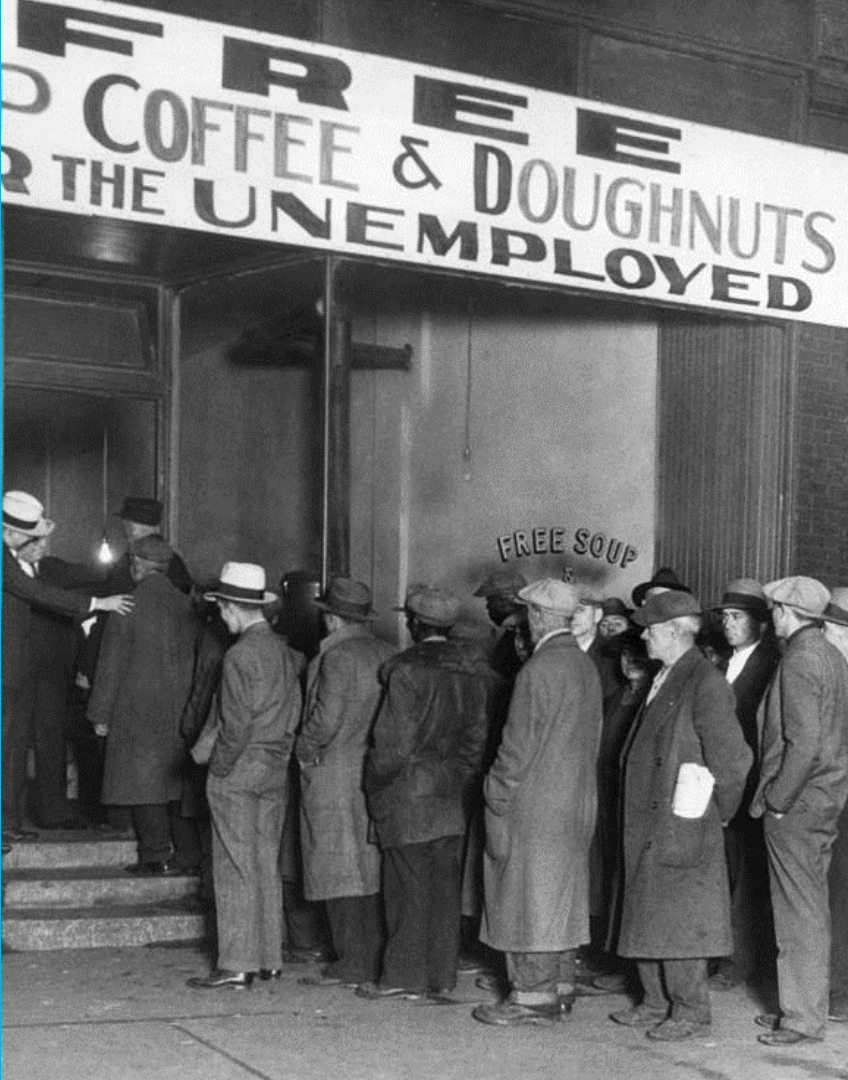


Alumni
Exchange

Recession curves – V, U, and L

- V, U – let's look at 1919, 1946 again
- L-curve – not a curve
 - L shows effects of permanent damage
 - Economic “New Normal”





Funny thing about the Great Depression...

- The middle of the Depression exhibited growth
- Growing economy still exhibited susceptibility to shock; got shocked by policy mistakes
- Could things be that bad today?



Alumni
Exchange

When will growth return? – poll

- Second half of 2020
- First half of 2021
- By the end of 2021
- No recovery in sight



Alumni
Exchange

Traditional response to a recession

- ~~Lower interest rates~~
- Increase government spending
- Cut taxes



Alumni
Exchange

Good news!

- Any return to “normal” pushes the economy back to a more predictable cycle
- After severe economic weakness, even slight growth is still reassuring
- Some growth likely in Q3 (report on October 29)
- Chance of a V- or U-curve?

ALUMNI
ASSOCIATION



Alumni
Exchange

Looks like an L-curve

- At least it's a recovery
- **Good policies can ease the pain**

ALUMNI
ASSOCIATION

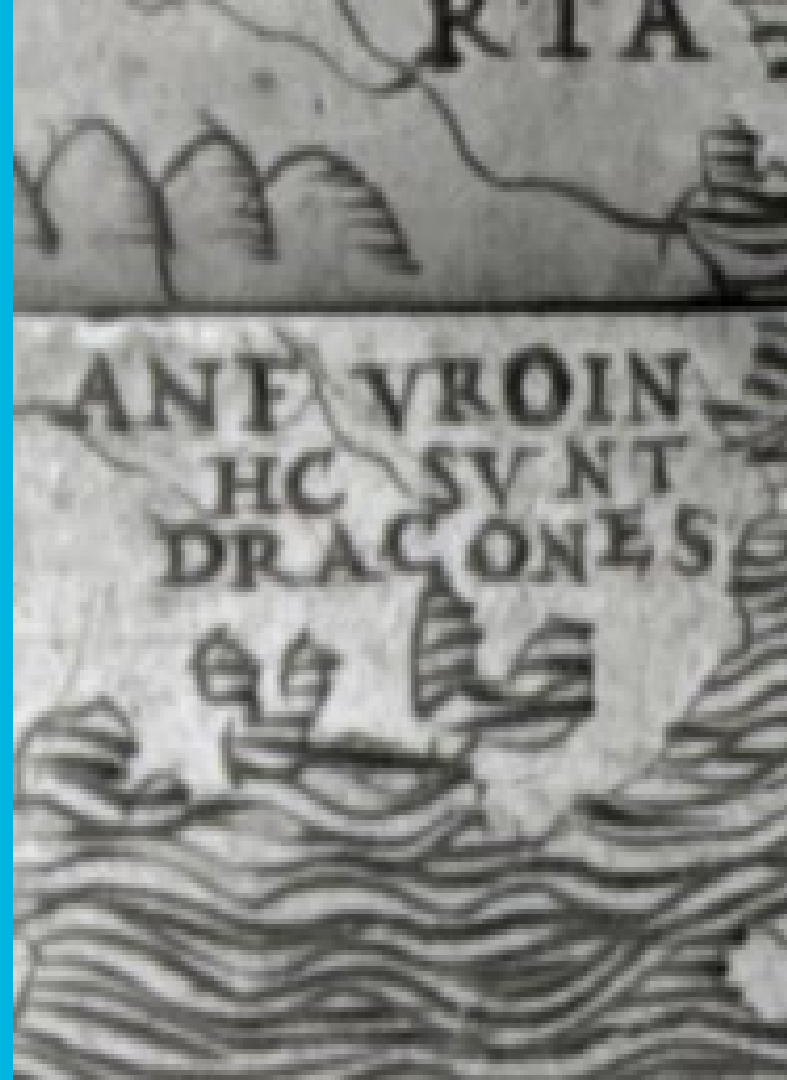


Alumni
Exchange

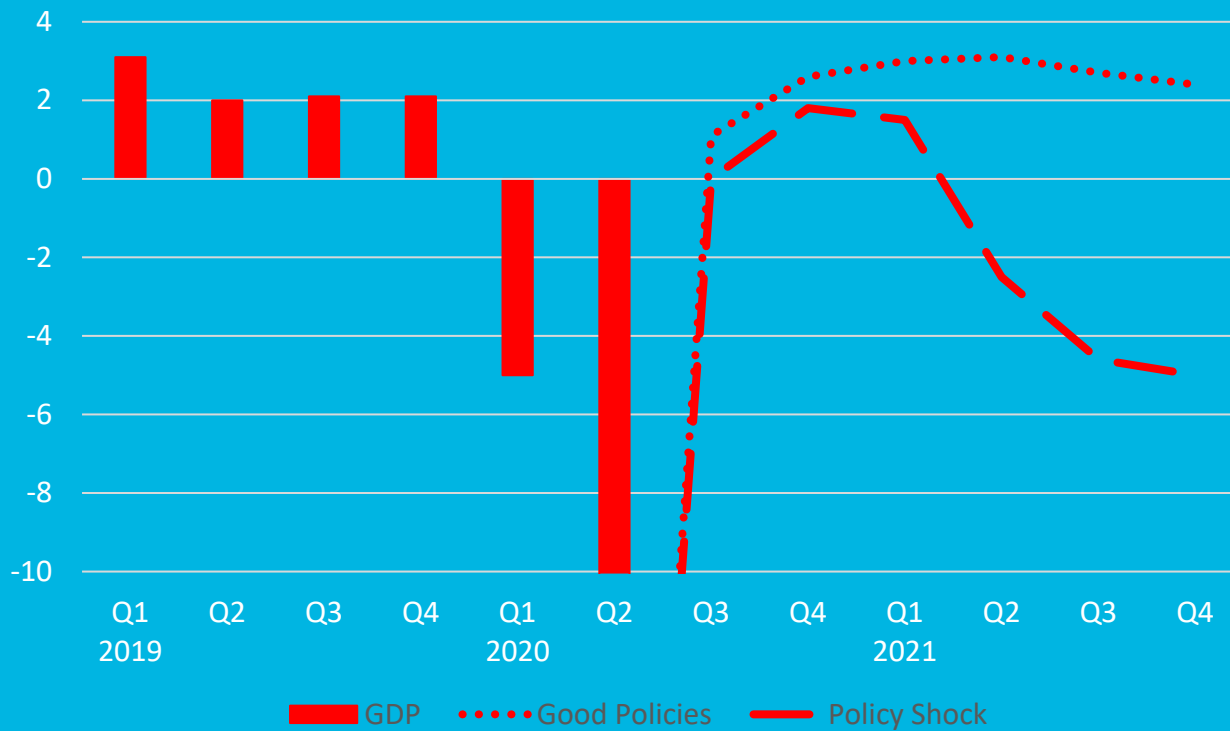
Here be monsters... again

- Even with growth, the economy will be susceptible to shocks – external and internal
- Most vulnerabilities are known, though not all

ALUMNI
ASSOCIATION



Real GDP – Possible scenarios





Alumni
Exchange

Weaknesses

- High national debt rose by \$3 trillion in past four months
 - Political sensitivity makes further spending difficult
- “Failure to pay” debts still exist at unprecedented levels
 - Repossessions
 - Foreclosures
 - Evictions
- Personal savings rate dangerously low



Alumni
Exchange

Secrets to Economic Recovery

- Policy measures are needed to stabilize social safety net
- Consumer debt must be addressed to maintain stability
- Unemployment will have long-term impact on the economy

The logo features a central dark blue circle with the letters 'UIC' in light blue. This circle is surrounded by a yellow ring, which is further enclosed by a red ring. Four thick lines radiate from the center: a yellow line pointing up and to the right, a red line pointing up and to the left, a yellow line pointing down and to the left, and a red line pointing down and to the right. The background is a solid light blue.

UIC

Alumni Exchange

**ALUMNI
ASSOCIATION**