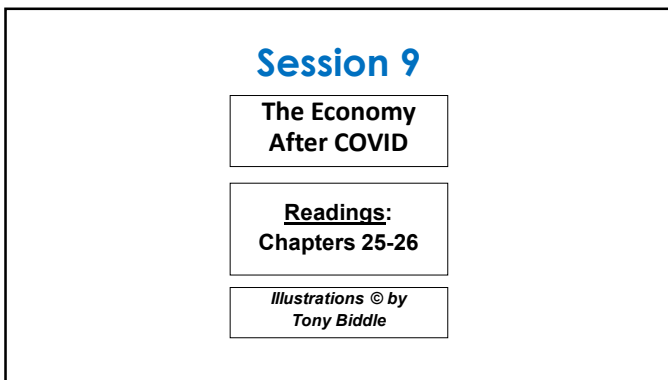
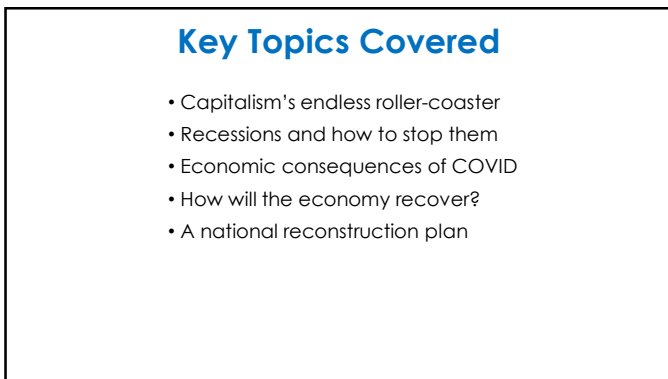


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3

Key Terms Introduced

- Income
- Expenditure
- Surplus
- Deficit
- Injection
- Leakage
- multiplier effect
- Recession
- Depression
- Recovery
- capital flight
- counter-cyclical policies
- discretionary fiscal policy
- automatic stabilizers
- balanced budget laws
- long waves
- Austerity
- Consumer Sentiment
- supply shocks

4

Extra Readings

- *Ten Ways the COVID-19 Pandemic Must Change Work for Good*, by Jim Stanford (Centre for Future Work).
- “We’re going to need a Marshall Plan to rebuild after COVID-19,” by Jim Stanford, *Policy Options*, April 2, 2020.
- “Direction of post-COVID reconstruction at stake in federal election,” by Jim Stanford, *Canadian Dimension*, September 2, 2021.

5

Capitalism's Roller-Coaster Tendency



6

Sources of Instability

- Investment instability
- Consumer sentiment
- Supply shocks
- Monetary policy
- Banking cycles / Financial Instability
- Real estate & property
- Foreign trade
- Government spending
- Exogenous shocks (COVID!)

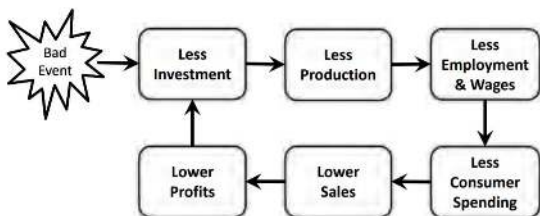
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The Core Problem: At Atomistic, Unplanned Economy

- Capitalism is interdependent but decentralized.
- Individuals respond to circumstances and expectations that may be individually rational, but collective irrational.
- Investment by for-profit firms sets (most) production in motion.
- Workers need to work in order to pay for consumption.
- This dependence, plus inter-industry linkages, causes an amplified (or multiplied) response to shocks.

8

How a Recession Starts







9

How a Recession Ends

- Investment confidence eventually recovers.
 - Consumer sentiment eventually recovers.
 - Some external stimulus gets the 'ball rolling' again.
 - E.g. exports.
 - Government counter-cyclical policy usually needed to accelerate recovery:
 - Fiscal policy (increase spending, cut taxes).
 - 'Automatic stabilizers.'
 - Monetary policy (lower interest rates).
- NB: Government tries to balance budget in a downturn? That makes the downturn worse...

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COVID: An Unprecedented Moment

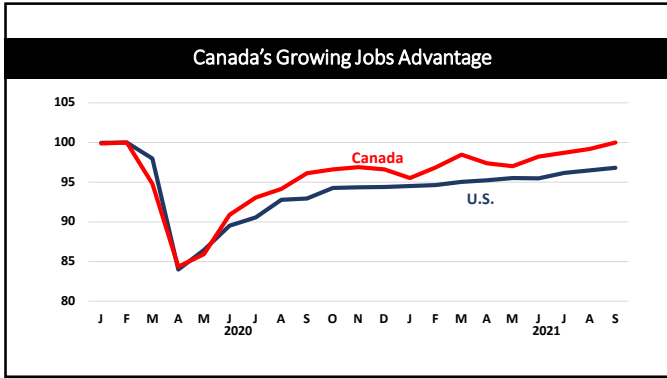
 Whole parts of the economy were shut down:	Retail, hospitality, arts & entertainment, personal service, airlines, other transport.
 Spillover impact spread into other sectors:	Eg. Retail → Wholesale → Manufacturing
 Supply chains disrupted by travel and health restrictions.	
 Other chain reactions made it worse:	Consumer spending, business investment, exports.

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Tallying the Toll

- 3 million jobs lost Feb through April 2020.
 - Won them back by September 2021.
- GDP fell 18% from Feb through April.
 - Won back 92% of that by August (still down 1.5%).
- Immediate loss of incomes for workers, families, businesses, organisations.
 - Forcing them to stop spending, cut jobs.
- Unprecedented in history: a faster, steeper decline even than the 1930s.
- Key task: stop it from becoming a Depression.

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An Uneven Burden

Every recession is unfair.

This one was brutally, unforgivingly unfair.

Worst burden was felt by workers in insecure, low-wage work.

- Hard-hit service sectors.
- Temporary / casual / part-time jobs.
- Youth / women / immigrant communities.

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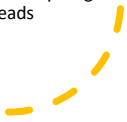
The Phony Trade-Off

- Business groups & some politicians: "We can't shut down, it will hurt the economy."
- This was short-sighted and self-defeating.
- COVID spread was the biggest problem for the economy: with or without restrictions.
- Stopping contagion remains key to protecting the economy, then rebuilding.
- Economic health = public health.
- Need continuing income support & protection.

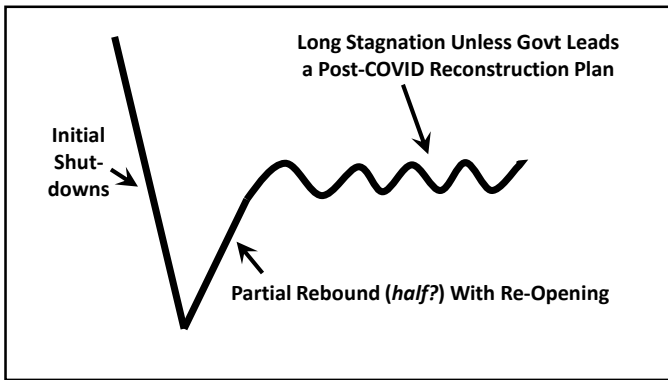
15

The 'Shape' of Recovery

- Optimists hoped for a quick 'snapback' (**V**).
- Others thought snapback may take time (**U**).
- Others didn't expect a snapback at all (**L**).
- Others saw divergent paths (**K**).
- I expected partial rebound, followed by long stagnation (unless government leads reconstruction).



19



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The 'Loch Ness Monster Recovery'



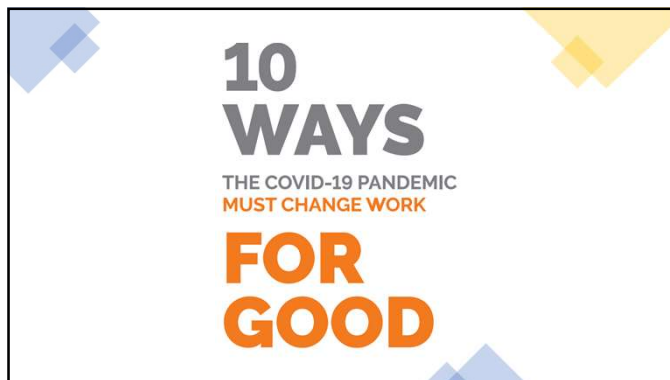
OCH AYE! IT'S NESSY!

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An Honest Question:

Was the COVID-19 pandemic a one-time shock?
Or should we be ready for other pandemics or similar shocks in the future?
Put your answer in Q&A...

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Let's Get it Right

Longstanding fault lines in Canada's labour market were brutally exposed by the COVID-19 pandemic and the unprecedented economic contraction it caused.

Repairing those structural failings will be an essential precondition for reconstructing the national economy on a sustained basis.

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10 Ways Work Must Change for Good

- #1: Making Workplaces Safer
- #2: Giving People Space
- #3: Paid Sick Leave
- #4: Working From Home Fairly
- #5: Roll Back Precarious Work
- #6: More Public Sector Jobs
- #7: Just-in-Time Supply Chains
- #8: Fixing Income Security
- #9: Valuing All Jobs Fairly
- #10: Workers Need Voice and Power

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#2: Giving People Space

- Physical proximity is the biggest single determinant of workplace infection.
- Physical proximity is strongly & negatively associated with income.
- Employer' financial incentive is to economize on space.
- This must be restrained and reversed.
- Main beneficiaries will be low-wage workers.

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Table 3
Selected High-Proximity Occupations

Occupation	Employment (2016, 000)	Average Income (2016, \$)	Proximity Score
Nursing Aides	347	32,391	91
Food Manufacturing	67	36,211	85
Walters	341	14,619	78
Transit & Vehicle Drivers	603	40,637	78
Cashiers	405	12,717	75
All Employment		47,102	60*

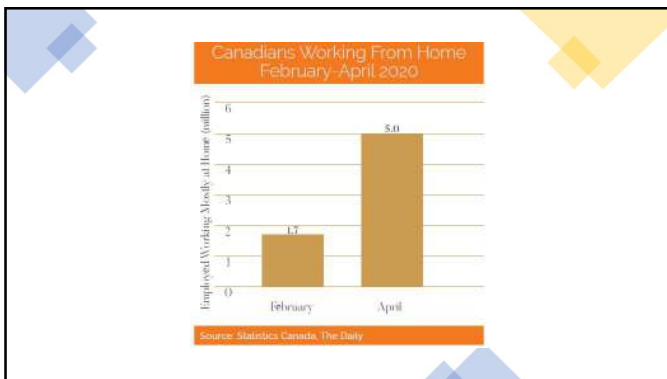
Source: Author's calculations from Statistics Canada Census and Occupational Information Network (2020).
* Unweighted average of 967 occupations

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#4: Making Home Work Fair

- Huge increase in work-from-home during the pandemic.
- How much of that will “last”?
- Benefits: keep working (and earning) without facing infection.
- Risks: informalization and privatization of employment, blurring of lines & standards.

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Issues Related to Home Work

- Space
- Costs
- Compensation
- Safety
- Time
- Care
- Surveillance

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#5: Regulating Precarious Work

- Growth of precarity was well-known.
- COVID-19 pandemic exposed its broader economic, social, and public health risks.
 - Eg. Multiple job-holding in LTC.
- Unequal impacts of the recession reflect precarity.
- Precarious work in all its forms must be controlled, and its workers protected, to make work safe & sustainable.

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That's Why They Call It 'Precarious Work'

Change Employment Feb. to April 2020¹

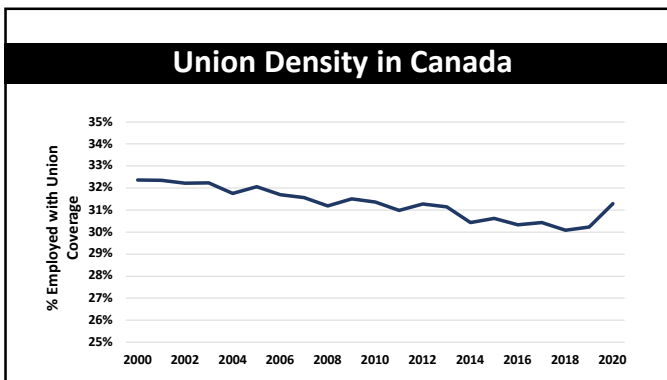
All Employed	-15.4%
Men	-14.1%
Women	-16.7%
Part-Time	-30.7%
Full-Time	-11.6%
Temporary ²	-30.2%
Permanent ²	-16.1%
Less Than 1 Year Tenure	-29.5%
Private Sector	-21.8%
Public Sector	-5.7%
No Union Coverage	-21.2%
Union Coverage	-10.2%

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#10: Voice, Agency, and Power

- A common thread running through the other 9 required changes.
- None of these problems will get fixed, unless workers have the power to raise issues, be heard, and win change.
- Micro level: safe workplaces, home work.
- Macro level: income security, regulating precarity.
- Canadian workers have achieved some victories, but big fights are ahead.

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What Comes Next?

- COVID continues: much infection, less death, less focused & aggressive health response.
 - Future variants / outbreaks?
- Vaccines largely expected (but still resisted by some) -- but even they won't automatically fix the economy.
- Second-order layoffs from:
 - Employers who do not expect business to return.
 - Businesses which cannot survive any longer.
- Uncertainty from many directions.
 - Climate disasters.
- Still far away from economic potential.

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A National COVID-19 Reconstruction Plan

- Private sector will be too damaged to lead a “normal” recovery.
- Public sector must be prepared to lead a long-term reconstruction programme.
- Overarching goals:
 - Support macroeconomic momentum.
 - Produce more & better jobs.

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COVID-19 “Reconstruction Plan”



A Modern-Day C.D. Howe?

Minister of Reconstruction, Appointed in 1944

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Elements of Reconstruction

- Public investment in physical infrastructure.
- Public investment in social & human infrastructure.
 - Housing.
 - Long-term care.
 - Child care.
- Permanent expansion of public services.
- Accelerating the energy transition.
- Public entrepreneurship: investing capital in projects with a return.

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One
Example:
Universal
Public Early
Child
Education

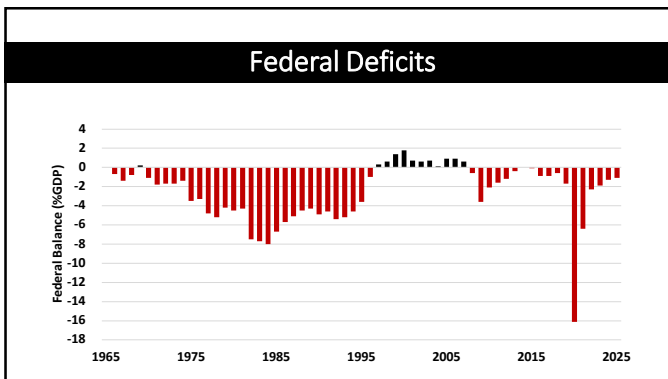
- Women were hit harder by the COVID downturn than men: job loss, fall in participation, double burden at home.
- Roll-out of public universal ECE would generate multiple benefits:
 - 200K direct jobs in ECE centres.
 - 80K jobs in supply chain (incl. construction).
 - 725K gain in women's labour supply.
 - \$63-107 B gain in GDP.
 - \$17-29 B gain in government revenue.
- It literally PAYS FOR ITSELF! ... an economic no-brainer.

40

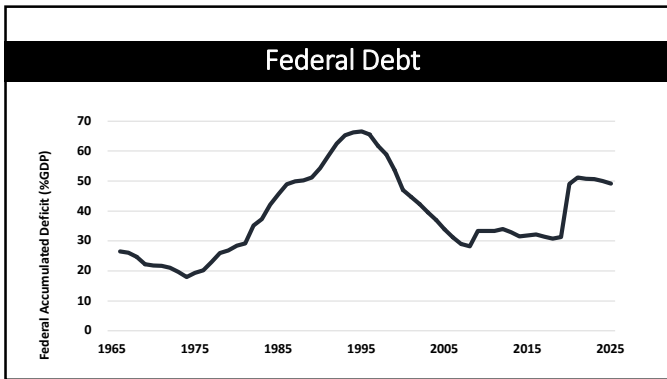
COVID and
Deficits

- Expect public debt to grow rapidly (100%+ GDP).
 - Something to be celebrated, not feared.
 - Flip side of the coin of public investment.
- Post-WWII debt (150%): No-one cared!
- Debt hawks are starting to bang the drums.
- Financing this debt is different & do-able:
 - Negative real interest rates.
 - Quantitative easing.
- Only constraint on what we can do: our capacity to work & produce (not money).

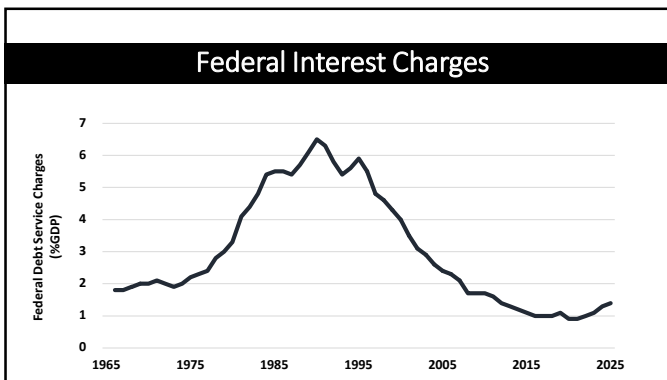
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Governments do NOT Have to Balance Their Budgets

(Neither do households or corporations, BTW)

- Like other actors, ongoing accumulation of debt is normal and even positive.
 - Particularly when matched to long-lived productive assets.
- For a sovereign government with its own currency, there is no binding fiscal constraint.
- For sub-national governments (or those without a currency), the actual constraints are:
 - Stability of debt burden to GDP, or
 - Stability of debt service costs to GDP.

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Implications of Debt Stability

- If growth rate is faster than interest rate, debt ratio will tend to decline.
- Debt ratio can be stable or falling with ongoing operating deficit.
- The bigger the difference between growth rate and interest rate, the bigger is the sustainable operating deficit.
 - Canada federal: 5% nom. GDP growth, 2.5% interest, 50% debt ratio
 - Implies annual deficits of 2.5% of GDP (over \$50 billion) consistent with debt stability.

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Conclusion

- Public awareness has been changed by the pandemic in many ways:
 - Protective role of government.
 - Importance of essential service workers.
 - Experience with income security.
 - Traditional fiscal constraints.
- Amidst this catastrophe, there is a chance to think big about reconstructing something better.

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Thank You!

Let's take 5 minutes...

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