A Conversation on our Global, National, and Personal Economies

with

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AGENDA

• The Global Economic Outlook
• The National Economic Outlook
• The Personal Economic Outlook
• Group Discussion
The Global Outlook

• Coronavirus stalks the planet
• 56 million infected globally
• 1.3 million global deaths
• Three Plus Proven Vaccines Are On their Way
Global GDP Growth

2010 - 2019 Average: +3.75%
2020 Projected: -3.03%
2021 Projected: +5.80%
Global Outlook – Huge Uncertainty

U.S., EU, and UK Are Experiencing a Major 2nd/3rd Wave

UK and EU Are Now Fully or Partially Locked Down

U.S. May See Winter Lockdowns, Already Seeing Pauses/Curfews

Contagion Also Raging in India, S. America, Middle East, Russia
Global Outlook – Huge Uncertainty

Vaccinating Entire Planet May Take Several Years

This Means International Travel Restrictions for Several Years

Virus-Free Asia Will Grow Relative to the West

Difficulty Restoring International-Trade System

Trump is Dramatically Increasing Chinese High-Tech Trade Barriers

China Just Signed Trade Deal with 14 Countries Covering 1/3rd of World Pop

This Could Spell Major Turning Point in World Economic Order

U.S. Now Has 15% of World GDP. By 2100, It Will Likely have 10%.

Bright Spot – Rapid Home Tests
Global Outlook – Massive Increase in Debt

World Debt-to-GDP Ratio is Now 331 Percent

World Debt Will Rise by Over $15 Trillion in 2020

U.S. 2020 Deficit Projected at $3.3 Trillion – 16% of U.S. GDP

U.S. States Have Borrowed Almost a $0.5 Trillion – 2% of U.S. GDP

Bill for COVID-19 Being Left Largely to Our Children
Global Outlook – Massive Increase in Money Printing

U.S. Base Money Supply Up 53% Since January
U.K. Base Money Supply Up 39% Since January
E.U. Base Money Supply Up 47% Since January
Japan’s Base Money Supply Up 38% Since January
Prospect for Significant Medium-Term Inflation

Central Banks Are Printing Money to Purchase Government and Private-Sector IOUs.

Governments Effectively Never Repay their IOUs. Hence, Purchase of Government IOUs Produces a Permanent Increase in Money Supply

If Private Sector Can’t Repay Central Banks, Money Printed to Buy those IOUs Will Produce a Permanent Money Supply Increase

More Money Chasing Declining Supply of Goods Spells Inflation
Reported coronavirus deaths, per day, in the U.S.

New York City adds 3,778 “probable” fatalities on April 14.
COVID Spread and Faster and Broader than Ever

260,000 Dead Americans

12 Million Known Cases. Could Reflect 120 Mil Actual Cases

U.S. Population is 330 Mil. Still Far From Herd Immunity

Closing in on 200,000 Cases per Day

Closing in on 2,000 Deaths per Day
LA is Locking Down

RI is Pausing

Boston and NY Have Shut Down Schools

$400 Billion in Un-recoverable Student Debt – Size of Subprime Losses
U.S. Outlook – Employment Still Down by 11 Million
U.S. Outlook – Bankruptcies Are Coming

- Bankruptcies of Large Companies Have Tripled
- Bankruptcies of Small Companies Delayed by PPP
- Bankruptcies of Households Delayed by CARES ACT
- 12 Million Americans Will Lose Unemployment Benefits on Dec. 26th
- State and Local Governments Are In Very Tough Shape
- CA, Ill, NY, and MI Could Go Bankrupt
U.S. Outlook – Bankruptcies Are Coming

- Mortgage Forbearance Ends in the Spring
- Foreclosures will Begin January 1\textsuperscript{st}
- Student Loan Forbearance Ends January 1\textsuperscript{st}
- State and Local Government May Never Get Help
- Senate May Stay Republican, Meaning ? No More Bailouts
- Trump Admin Just Stopped Fed from Lending an Extra $455 Billion
- Fed Was Lending to State/Local Gov, Large and Medium Businesses, Students, …
U.S. Outlook – Bankruptcies Are Coming

- One in Five U.S. Companies Are Zombies
- Zombie Firms Don’t Make Enough Income to Cover Debt Repayment
- Zombie Firms Must Keep Borrowing to Live Another Day
- Federal Reserve Is Lending to the Zombies
- If Fed Stops Lending to Zombies, Rates will Rise, Causing Recession
• Much Higher Taxes, Primarily FICA Taxes, for the Super Rich
• Social Security Progressive Benefit Increase for those Over Age 78
• Significant Rise in the Corporate Income Tax
• Carbon Tax Likely
• Much Will Depend on Composition and Disposition of Senate
By End of 2020, U.S. Debt/GDP Will Be 136%. It Was 106% in 2019

Major Increase in Spending Under Biden Depending on Senate

Will Likely Raise Debt/GDP Further

Italy’s 2020 Ratio will Be 155%. So U.S. Is Closing In on Italy

U.S. Has Much More Implicit Debt Relative to GDP than Italy

U.S. Fiscal Gap Is Roughly $180 Trillion or Nine Years of GDP

Combination of Debt and Money Printing and China’s Ascendancy Could Auger the Slow Demise of the Dollar as the Global Currency
Our National Economy Post COVID

- The Economy May Never Be the Same
- Likely Permanent Increase in Remote Work
- Likely Permanent Reduction in Business Travel
- Likely Permanent Hallowing Out of Cities
- Likely Permanent Increase in Personal Saving Rate
- Likely Permanent Reduction in Number of Universities/Colleges
- Likely Permanent Change in Delivery of Medical Care
- Likely Permanently Less Business Travel, Fewer Hotels/Restaurants
- Likely COVID-ERA Spending Mentality
Our Personal Economies

• We All Need to Plan/Try to Retire Later

• BLS (Bureau of Labor Statistics) Online Handbook of Occupations

• Low Real (Inflation-Adjusted) Interest Rates Here for a While

• Decent Chance of High to Very High Inflation in Five Years

• Remote Work Lets Us Move Where It’s Cheaper

• May Be the Right Time to Downsize
Our Personal Economies

• Best Investment – Pay Off Credit Cards, Student Loans, Mortgages

• Stock Mkt P/E Ratio Now 26, Average is 15. Highest Since 2008

• May Be the Right Time to Roth Convert Given Higher Future Tax Rates

• More Important than Ever to Maximize Lifetime Social Security Benefits

• Cashing Out 401(k) Assets to Pay off Mortgage May Be Smart

• Service Sector Will Be In Very Bad Shape for at Least Six Months

• Once Safe, There Will Be Pent-Up Demand for Tourism, Restaurants

• Book Your Trips Now!
How to Ask Questions


Questions

Presented by Larry Kotlikoff

Q: yep

Q: the welcome notice said I was an attendee in listen only mode

Q: still muted

Type question here.

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Thank you for participating!