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# CONNECTICUT ECONOMIC ACTIVITY REPORT

Summer 2021



University of  
New Haven

POMPEA  
COLLEGE OF BUSINESS

THE ONLY STUDENT ECONOMIC COLLECTIVE IN THE NATION



Prepared by the  
**New Haven Economic  
 Performance Laboratory**

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**Pompea College of Business**  
**University of New Haven**

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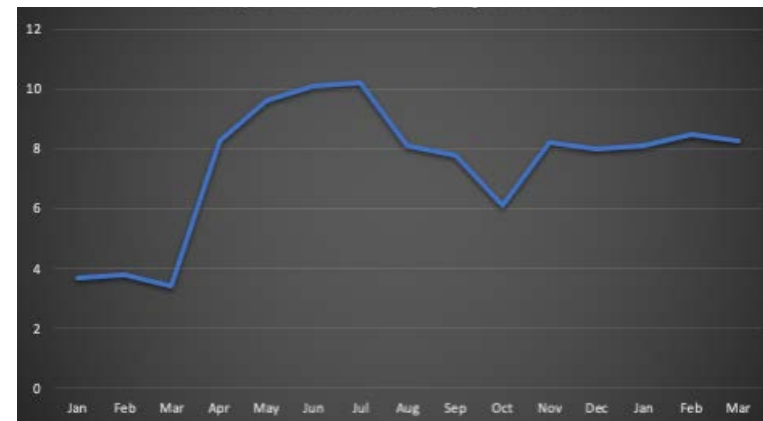
*Any opinion in this report is that of the author and does not necessarily reflect the opinion of the University of New Haven or the Pompea College of Business.*

# UNEMPLOYMENT

By Estanislao Desseno

The State of Connecticut employed some measures back in September–October to address unemployment issues. Extended benefits and a steady economic recovery have assisted in lowering the job problems, not only within the state but also the country. In the last Economic Activity Report published, the latest data provided dates back to September, where the unemployment rate was at 7.8 percent. These numbers had already shown improvement since the pandemic first began, reaching its worst numbers in July, where the joblessness rate was at over 10 percent.

**Figure 1: 2020/2021 CT Unemployment Rate**

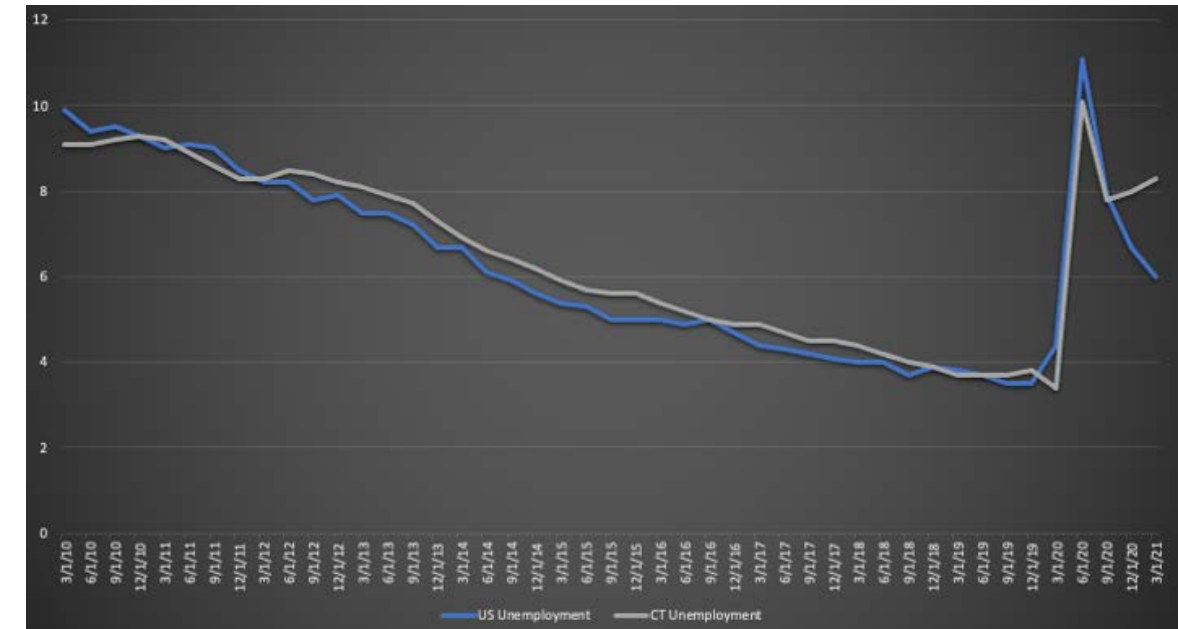


Unemployment numbers saw greater recovery in October. The Federal Bureau of Labor Statistics (BLS) puts the unemployment rate at 6.1 percent, down from 7.8 percent in September; however, the state's economists estimate the real unemployment rate is closer to 11 percent, down from 12–13 percent last month. The falling unemployment rate pushed the state off the High Extended Benefit period by bringing the three-month average unemployment rate below 8 percent.

Although this comes as good news, together with another spike in COVID cases, it might have been one of the causes why the numbers went back up in November, reaching 8.2 percent in November. During this time, Connecticut lost an estimated 1,600 payroll jobs. However, by then it had regained 64.5 percent of the jobs lost in March and April.

The unemployment rate ticked down slightly from 8.2 percent in November to 8.0 percent in December. The Connecticut unemployment rate was 3.8 percent in December 2019, whereas U.S. unemployment was 6.7 percent. Unemployment claims for first-time filers in Connecticut were an average of 5,408 per week in December 2020, down 1,330 from November 2020 (–19.7 percent).

**Figure 2: U.S. vs. CT unemployment**



The first computed 2021 unemployment rate for Connecticut was estimated by the BLS Local Area Unemployment Statistics program to be 8.1 percent (seasonally adjusted), higher by 0.1 percentage point from the December 2020 level of 8 percent and 4.5 points higher than the 2020 level.

February numbers for the State of Connecticut were 8.5 percent, a 0.4 percent increase from January. The last update provided was on March numbers, which showed unemployment was down to 8.3 percent.

While steady recovery was seen until October, this trend did not continue in subsequent months, leaving unemployment with numbers even higher than those shown during August 2020. Although this was not within predictions, there should be good reasons to expect further recuperation, this time led by a cautious reopening of businesses and the vaccination campaign. Moreover, the recent approval of the \$1.9 trillion relief package should provide the economy with the necessary impulse to get back on its feet.



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# NEW HAVEN REGION ECONOMIC PERFORMANCE INDEX

By Michael Pergola

When evaluating how New Haven's economy has performed over the past six months, it is important to use the NHREP Index to get a full picture. There are five key factors that are used in determining this statistic: Education & Health Services for employees in New Haven, New Haven building permits, initial claims for unemployment benefits, average weekly hours of work, and average weekly earnings for all employees in New Haven. It must be noted that the results the index will show was impacted by the coronavirus, and the restrictions put in place because of it.

As you can see, New Haven's economy experienced a sharp decline in the middle of 2020. It then rebounded slightly, before dipping again in 2021. It has now been on a steady trend for the past few months. New Haven has not returned to pre-COVID levels, and that really can be attributed to a couple of factors. The main cause of this is the government continuing to restrict businesses, especially restaurants. Why do they continue to do this? Who knows, but it is obvious that the cause for this terrible performance is the limitations businesses are now facing due to the restrictions levied upon them. If New Haven is to return to its pre-COVID levels, the government must remove all restrictions on businesses.

Unemployment, as shown in Table 1, was negatively affected by the coronavirus restrictions, and it continues to be. As of February 2021, the unemployment rate sits at 8.6 percent. This number is not ideal, especially when you compare it to the unemployment rate of the entire country. The state of Connecticut ranks 47th out of 50 states in terms of unemployment. In other words, only three states have a higher unemployment rate than Connecticut. To make matters even worse, New Haven's unemployment rate is a half a percentage point higher than its state. In fact, 8.6 percent unemployment would put New Haven in front of only Hawaii, if it were its own state. If unemployment does not improve, then the Index's outlook will remain bleak. This is because unemployment has a negative, direct effect on building permits, wages, and hours.

Figure 3: New Haven Region Economic Performance

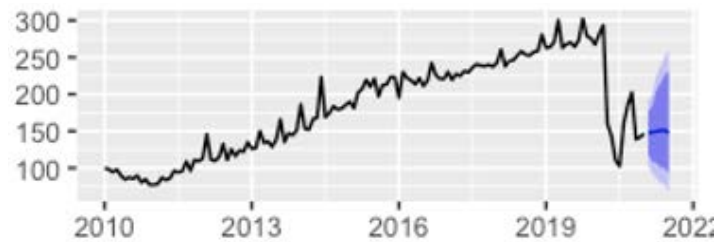


Table 1

Unemployment Rates	New Haven	Connecticut	United States
January 2016	6%	5.50%	4.90%
July 2016	5.40%	5.10%	4.80%
January 2017	5.40%	4.90%	4.70%
July 2017	4.90%	4.60%	4.30%
January 2018	5.10%	4.50%	4.10%
July 2018	4.30%	4.10%	3.80%
January 2019	4.40%	3.80%	4.00%
July 2019	3.90%	3.70%	3.70%
January 2020	4.20%	3.70%	3.60%
July 2020	9.70%	10.20%	10.20%
September 2020	7.10%	7.80%	7.90%
December 2020	7.90%	8.20%	6.70%
February 2021	8.60%	8.10%	6.30%

This forecast, as shown in the Table 2, predicts an upward trend in New Haven's economic performance in the coming months. The model also shows that there is potential for things to fail to improve. That will happen if businesses continue to be forced to abide by unreasonable restrictions. At this point, most, if not all, adults can be vaccinated if they choose to. Six months ago, although there were many therapeutics available, the vaccine was not ready yet. Now, that is not the case. There are multiple vaccines available. If a person wants it, they can now take it. It should be relatively easy for New Haven to reach the high end of the model's forecast. There should be zero restrictions on businesses, and it should have been like that for a long time now. New Haven's economy is looking up but only if leaders make the correct decision and allow businesses to run at full capacity.

Crime is also a huge deterrent to economic prosperity. According to New Haven Crime Data, the region is considered to be less safe than 96 percent of U.S. cities. New Haven has four times the violent crime rate as the rest of Connecticut. This will likely get worse, as police have now been demonized and are no longer safe to use required force in potentially fatal situations. Police officers are leaving the force in droves, and new ones are not signing up. If New Haven wants to prosper economically, the first thing it needs to do is put an end to the rampant crime in the city, especially violent crime, as this will continue to deter people from investing and building in New Haven.

Table 2

DATE	LO 80	HI 80	LO 95	HI 95
FEB-21	130.1	184	115.9	198
MAR-21	127.1	194	109.4	211
APR-21	113.2	191	92.8	211
MAY-21	104	191	81	214
JUN-21	103.1	198	77.8	224
JUL-21	95.3	199	68	226



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Crime Data: [www.neighborhoodscout.com/ct/new-haven/crime](http://www.neighborhoodscout.com/ct/new-haven/crime)

Unemployment Data: [https://ycharts.com/indicators/new\\_haven\\_county\\_ct\\_unemployment\\_rate#:~:text=New%20Haven%20County%2C%20CT%20Unemployment%20Rate%20is%20at%207.80%25%2C,long%20term%20average%20of%2021.30%25](https://ycharts.com/indicators/new_haven_county_ct_unemployment_rate#:~:text=New%20Haven%20County%2C%20CT%20Unemployment%20Rate%20is%20at%207.80%25%2C,long%20term%20average%20of%2021.30%25)

# COVID-19'S EFFECT ON CITY/SUBURB MIGRATION

By Matthew Liscio

The median sale price of single-family homes in Connecticut has remained relatively stable from November 2010 to November 2019. From January 2020 to February 2021, however, home values increased 13.1 percent, according to Zillow.<sup>1</sup> This is an increase of 7.1 percent since September 2020.<sup>2</sup> These data tell us that the effect COVID-19 will have on the housing market has been statistically significant and will be of substantial impact for the foreseeable future. The market dynamics of the real estate market in Connecticut have fundamentally changed. In Figure 4, we can see that the amount of days homes have been on the market has been steadily dropping since May 2020, compared to the previous year.

As seen in Figure 5, the number of listings for all Connecticut single-family homes has been dropping drastically since February 2020. The relative increase from May 2020 to September 2020 can be explained as only a seasonal formality and does not bear any impact on the market. The overall downward market trend can be explained by new incentives caused by COVID-19 to live in Connecticut. When there are more incentives to live in Connecticut, fewer people will sell their homes, more people will want to buy Connecticut homes, and thus more people are bidding on fewer homes, causing homes to sell faster and for more money. In some cases, homes are selling above the asking price.

In Figure 6, there is a noticeable increase in single-family Connecticut home values. The strong increase begins during the same month active listing fell by 29 percent (as seen in Figure 5).

As stated earlier, this trend in the Connecticut housing market is incentive-driven, which, in turn, directly affects supply and demand. To know how long this trend will last, we need to determine how long the incentives are and how long they will last.

The primary reason home purchases are up specifically in Connecticut is because we are a suburb of New York City. Public health precautions that were instated during 2020 adversely affected life in cities more than they did in the suburbs. Many New York City residents decided that moving to the suburbs would give them a better standard of living. With work-from-home models becoming more widely accepted because of COVID-19, it gave big city

Figure 4: Connecticut Days on Market Year over Year Change

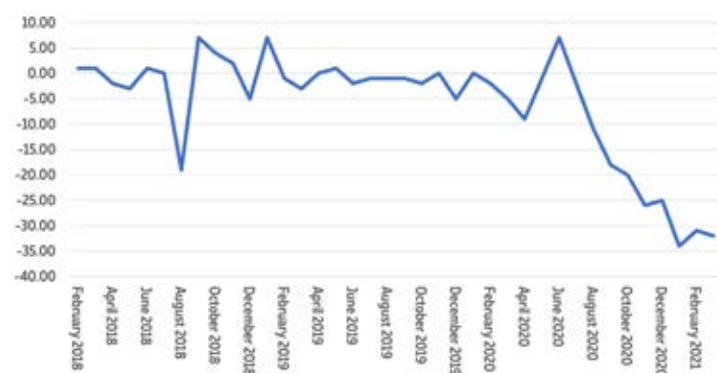


Figure 5: Connecticut Single Family Home Active Listings Year Over Year Change

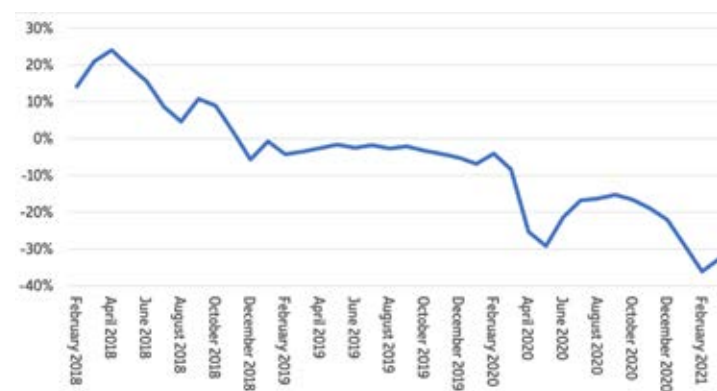
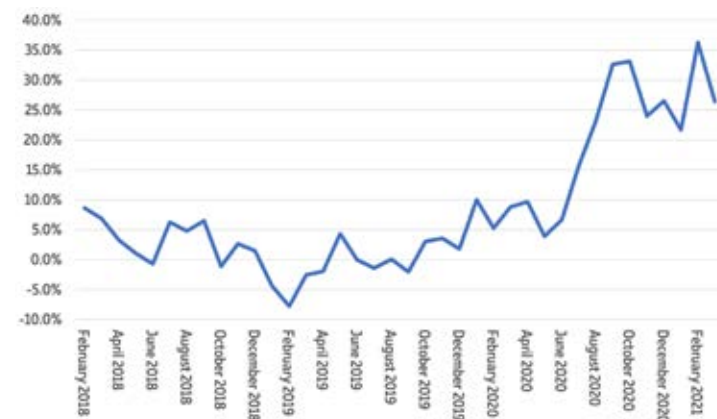


Figure 6: Median Sale Price for all Connecticut Single Family Home Year Over Year Change



residents the ability to move away from the office. This is a situation akin to the 1960s, when the car became mainstream and simultaneously so did the suburbs.

The secondary incentive attracting new home buyers is low interest rates. As per the definition of an economic stimulative zero-interest-rate policy, we expect to see more investment and purchases, including home purchases. This is exactly what we saw over the past year since the Federal Reserve brought rates to zero on March 15, 2020.<sup>3</sup> When interest rates are at zero, a loan is essentially free money, and therefore many more people will take out loans at 0 percent rather than 4 percent. A \$500,000 30-year loan at 0 percent would result in a monthly payment of \$1,388.89. The same loan at 4 percent would result in a monthly payment of \$2,387.08. The difference in those loans is \$359,350 in interest over 30 years.

As of now, both these incentives are diminishing as the country returns to normal. We are already seeing interest rates increase; therefore, we expect demand to decrease. We are also seeing large companies welcoming employees back to the office. Although it must be mentioned that many companies are returning via a hybrid schedule. Offices are beginning to realize a new purpose. They will mainly be used as a meeting location and a secondary workstation; the ability to work from home will not disappear. That is why we see in Figure 6 that home values have topped off over the last couple of months. With the rate at which the country is returning to normal, I expect housing prices to level off. As supply and demand return to normal, I expect prices to remain at a higher level than they were pre-COVID-19 for a period.

In the wake of COVID-19, we are seeing large companies start to downsize their office buildings because it has been realized that employees prefer to work at home and are more efficient at home. Employers are happy to make this adjustment because decreasing or even eliminating rent will increase their profit margins. Many companies such as REI have ditched plans for a central corporate campus that would "foster creativity" in place of giving employees "more flexibility" with work-from-home schedules for up to five days a week.<sup>4</sup>

Lastly, we need to consider the eviction moratorium and the effects it has had since it was implemented in 2020. As the moratorium begins to be rolled back, many tenants who cannot pay their rent will no longer be protected. This process has already begun in Connecticut. There have been 1,645 complaints filed by landlords, and 481 families will be ushered out of their homes by marshals. There are still over 1,000 complaints waiting for the judge's approval.<sup>5</sup> With a large influx of evictions, there will be more housing units on the market. As supply increases, expect prices to decrease.

Everything considered, I expect to see Connecticut housing prices continue to increase in value slowly, year over year. With that, I also expect to see a housing market correction within the next five years as the immediate effects of COVID-19 dissipate. Going forward, I see a bright future for Connecticut. With the ability of technology to keep us more connected than ever before, people will realize the value Connecticut brings – that value mainly being a more peaceful suburban life, relative to New York City, with no drawbacks.



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<sup>1</sup> [www.zillow.com/ct/home-values/](https://www.zillow.com/ct/home-values/)

<sup>2</sup> The Effect of COVID-19 on the Housing Market and City/Suburb Migration

<sup>3</sup> [www.washingtonpost.com/business/2020/03/15/federal-reserve-slashes-interest-rates-zero-part-wide-ranging-emergency-intervention/](https://www.washingtonpost.com/business/2020/03/15/federal-reserve-slashes-interest-rates-zero-part-wide-ranging-emergency-intervention/)

<sup>4</sup> [www.cnb.com/2021/03/10/1-year-into-covid-employers-rethink-offices-and-function-matters-most.html](https://www.cnb.com/2021/03/10/1-year-into-covid-employers-rethink-offices-and-function-matters-most.html)

<sup>5</sup> <https://ctmirror.org/2020/12/16/an-eviction-tsunami-is-on-the-horizon-and-with-it-comes-more-covid-cases/>

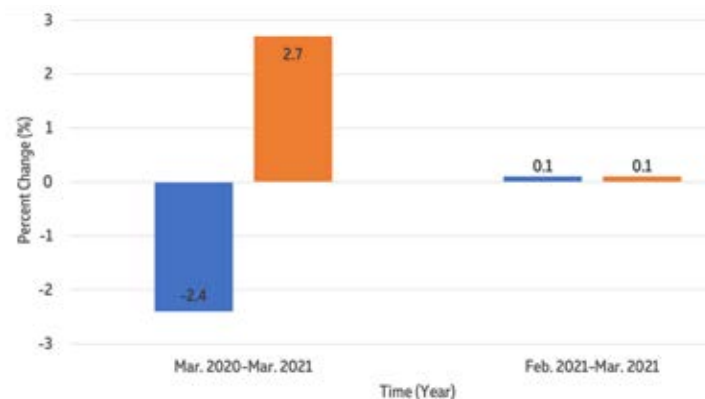
# CONSUMER PRICE INDEX – MEDICAL CARE

By Kevin Suprono

The Medical Care Index, one of the eight indexes of the Consumer Price Index (CPI), measures the change in prices paid by consumers for medical care in terms of goods and services. The two main components of the Medical Care Index are medical care services and medical care commodities. Medical care services, the larger component in terms of weight in the CPI, is divided into three subsections: professional services, hospital and related services, and health insurance. Medical care commodities, the smaller component in terms of weight in the CPI, are divided into two subsections: medicinal drugs and medical equipment and supplies. The Bureau of Labor Statistics released new CPI data for March 2021 that will be used to show the percentage change increase of health care expenditures over a one-year period (March 2020–March 2021) through the beginning of the pandemic to the present day. Upon further examination, the data will be used to analyze the changes to the specific subsections of medical care services and medical care commodities.

Figure 7 depicts the unadjusted percentage change in medical expenditures of medical care commodities and medical care services. From March 2020 to March 2021, there was a –2.4 percent change in medical care commodities and a 2.7 percent increase in medical care services. March 2020, the beginning of the pandemic in the United States, began with a massive halt in activ-

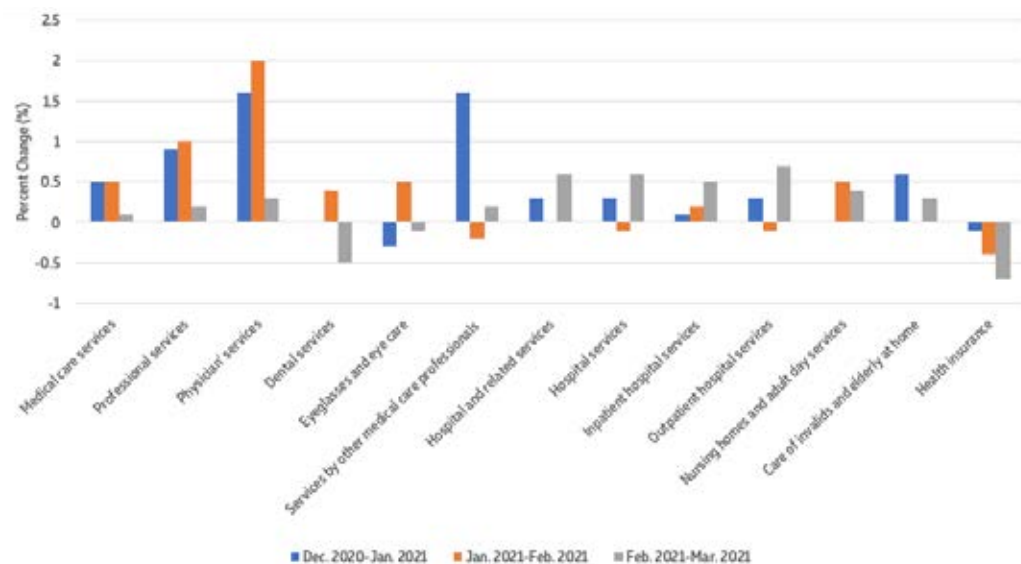
Figure 7: Unadjusted Percent Change in Medical Expenditures



ity for businesses, sports leagues, and just about everything else. As a result, medical care services such as physician services and dental services increased by 5.3 and 2.6 percent, respectively. Hospitals, the main epicenters of the fight against COVID-19, saw an increase of 2.9 percent. Hospitals and physician services increased in cost over the March 2020–2021 year as their usage became dependent – over two million individuals have been hospitalized since the start of the pandemic.

One of the most COVID-struck communities has been the elderly – and more specifically nursing homes and home care for the elderly. From March 2020–2021, nursing homes have seen a 3.3 percent increase, and home care for the elderly has seen a 5.9 percent increase. Cost of services have increased, as there has been a shortage of caregivers in these services for the

Figure 8: Seasonally Adjusted Percent Change in Medical Care Services

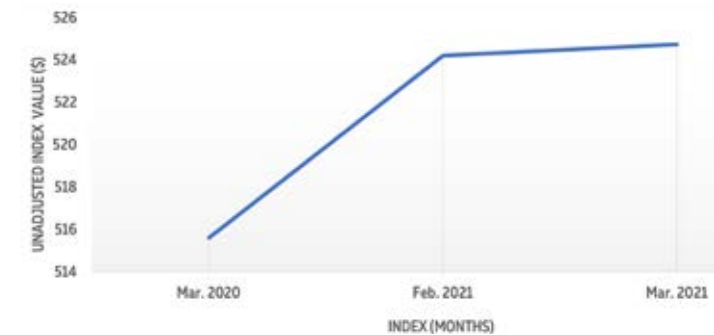


elderly, and the increase in demand for caregivers was worsened by the pandemic. Medical care commodities, in contrast, have seen decreases in cost. Medical equipment and supplies, along with medicinal drugs, have decreased by –5.7 and –2.3 percent, respectively. With a focus on maintaining cleaner habits, individuals were less likely to get sick from something such as the flu or cold. Thus, fewer medicinal drugs and services were needed, and those resources were allocated toward the fight against COVID-19.

Figure 8 illustrates the seasonally adjusted percent change in medical care services. Upon further examination of these services from December 2020 to March 2021, on average, there has been an increase in medical care service costs. From Jan–Feb 2021 to Feb–Mar 2021, professional services costs have decreased by 0.8 percent. Similarly, health insurance costs have decreased from –0.1 to –0.7 percent from Dec 2020–Jan 2021 to Feb–Mar 2021. These decreases may have been affected by the decrease in visits to the doctors, as individuals were often quarantining or socially isolating from friends and other family, thus decreasing their likelihood for injury and/or sickness from COVID-19.

Hospitals services, in contrast, saw an increase. Inpatient hospital services saw a gradual percent increase from Dec 2020–Jan 2021 and Jan–Feb 2021 of 0.1 percent and from Jan–Feb 2021 and Feb–Mar 2021 a 0.3 percent increase. Outpatient hospital services have seen a rather recent increase in the past two months. From Jan–Feb 2021 to Feb–Mar 2021, there has been a 0.8 percent increase. However, from Dec 2020–Jan 2021 to Jan–Feb 2021, there was a 0.4 percent decrease in costs. By examining the COVID-19 hospitalization data from the CDC, it is clear that COVID-19 hospitalization rates

Figure 9: Medical Care Index (Aggregate)



are decreasing and have been since mid-January 2021. This means that the increase in inpatient and outpatient costs from Jan–Feb 2021 to Feb–Mar 2021 may be the result of a lifting of restrictions in many states with decreasing COVID-19 cases. By lifting restrictions, individuals are now more exposed to not only COVID-19 but also other illnesses such as sinus infections, the flu, or a sore throat. As a result, there are more individuals requiring inpatient and outpatient care.

Figure 9 portrays the Medical Care Index as an aggregate of both the medical care services and medical care commodities. From March 2020 to March 2021, the index observed a \$9.00 increase. A much smaller increase of \$0.50 occurred from February 2021 to March 2021, not only due to the shorter time period but because of the state of the pandemic. From March 2020 to February 2021, the pandemic brought the United States to a grinding halt. Hospitalizations and deaths skyrocketed without effective measures early on to decrease them. By the time vaccines were being widely administered in February 2021, the amount of hospitalizations and medical care resources needed for COVID-19 related issues had decreased, as Figure 7 demonstrates. Now that anyone 16 or older is eligible for a vaccine, the Medical Care Index as a whole may soon observe a leveling out and perhaps a small decrease by March 2022.



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[www.bls.gov/cpi/factsheets/medical-care.html](http://www.bls.gov/cpi/factsheets/medical-care.html)

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# COST-OF-LIVING INDEX

By Kyle Longo

The cost of living in an area is an indicator for potential home buyers and entrepreneurs. This indication primarily aids in showing how much of a yearly salary is necessary to maintain a person's current lifestyle. It is important to note that the same amount of money made results in a different individual purchasing power based on living area. In terms of entrepreneurs who want to start up a business, it is beneficial to know what the entire area is paying, based on the type of service offered. According to Salary.com, the cost-of-living calculation is the combination of these five factors: "housing, food, health-care, transportation and energy."<sup>1</sup> Anyone in these markets will be better off than their competition because it allows them to optimize their prices.

The article is then organized as follows: Section 1 explores and compares the cost of living in different Connecticut cities and the changes that occurred since the previous report written in October. Section 2 presents the updated data from the Missouri Economic Research and Information Center (MERIC).<sup>2</sup>

**Table 3: Cost of Living: Major Cities in Connecticut<sup>1</sup>**

City	10/29/20: % Above National Average	3/29/21: % Above National Average	% Change
Bridgeport	19.20%	19.16%	-0.04%
New Haven	14.20%	14.08%	-0.02%
Hartford	14.80%	14.77%	-0.03%
Stamford	50.60%	50.62%	0.02%
Waterbury	12%	12%	0%
Norwalk	50.60%	50.62%	0.02%
Bristol	12.20%	12.20%	0%
Danbury	29.70%	29.66%	-0.04%
East Hartford	14.80%	14.77%	-0.03%
Fairfield	19.20%	19.16%	-0.04%
Greenwich	50.60%	50.62%	0.02%
Hamden	14.10%	14.08%	-0.02%
Manchester	14.80%	14.77%	-0.03%
Meriden	12.20%	12.20%	0%

## Section 1: Cost of Living in Connecticut Cities

The updated data for the cost of living for cities in Connecticut comes from the company Salary.com. Salary.com provides reliable data for users to accurately assess their moving needs. They also offer consulting services for companies. Their most recent data points are from March 29, 2021. This article will use this tool to look at the percentage change from previously observed data from October 29, 2020. Tables 3 and 4 show these data. Table 3 shows the percent above the national average for each major city in Connecticut. The percentage change during the period observed ranges from a 0.04 percent decrease to a 0.02 percent increase. Out of all the major cities in Connecticut, eight cities saw a decrease in their cost of living, three saw an increase in their cost of living, and three cities saw no change. A potential explanation for this decrease in cost-of-living stems from the economic hardships amid the coronavirus pandemic. There was simply a decrease in the prices for goods and services in the major cities in Connecticut.

**Table 4: Cost of Living: Minor Cities in Connecticut<sup>1</sup>**

City	10/29/20: % Above National Average	3/29/21: % Above National Average	% Change
Collinsville	13.40%	13.40%	0%
Orange	14.10%	14.10%	0%
Norwich	13.70%	13.70%	0%
New Milford	29.60%	29.60%	0%
Colebrook	12.70%	12.70%	0%
Deep River	13.40%	13.40%	0%
Stevenson	19.20%	19.20%	0%
East Glastonbury	14.80%	14.80%	0%
Bethel	29.70%	29.70%	0%
Jewett City	13.70%	13.70%	0%
Botsford	29.70%	29.70%	0%
Waregan	13.60%	13.60%	0%
Oxford	14%	14%	0%
Torrington	16.10%	16.10%	0%

Although changes are occurring in the major cities, Table 4 shows that, in 14 randomly selected minor cities, there has been no change in the average cost-of-living. This result may suggest that the more densely populated areas tend to change cost-of-living more frequently. Furthermore, a potential topic for further study could be the economic impacts caused by the coronavirus based on population and location.

## Section 2: Cost of Living: U.S. States and Territories

The updated data in Tables 5 and 6 come from the MERIC. The previous data observed was strictly from Q3 2020. Since the year's end, the full 2020 cost of living by states was announced. These tables compare the change from Q3 to the full year 2020. Table 5 contains the top 10 states and territories with the highest cost of living. The difference between Q3 and the overall 2020 percent average above the national average is outstanding. The biggest outlier was New York, where, during Q3, the cost-of-living was 33.70 percent above the national average but the average for 2020 was 46.60 percent above the national average. This indicates that, for the third quarter, there was a dip, which could potentially be due to the economic impact of the COVID-19 pandemic.

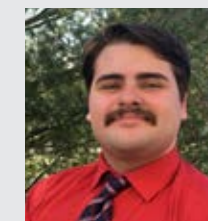
Table 6 showcases the top 10 states with the lowest cost-of-living. The greatest change occurred in Kansas, where the cost-of-living for Q3 was about 1.1 percent higher than the 2020 average. The biggest difference between the top 10 lowest states and the top 10 highest states is the variation in the data. The highest states have both a larger spread and larger population than the lowest states. The importance of the cost-of-living is to help determine where the best place for an individual to live is, based on their current wants and financial means.

**Table 5: Top 10 Highest Cost of Living: U.S. States and Territories<sup>2</sup>**

States/Territories	2020 Q3: % Above National Average	2020: % Above National Average	% Change
Hawaii	96.30%	98.60%	2.30%
Washington DC	61.10%	59%	2.10%
New York	33.70%	46.60%	12.90%
California	38.50%	42.40%	3.90%
Oregon	34.60%	33.70%	-0.90%
Massachusetts	32.60%	29.9%	-2.70%
Alaska	28%	27.3%	-0.70%
Maryland	28.1%	27.2%	-0.90%
Connecticut	25.1%	23%	-2.10%
Rhode Island	19.40%	19.60%	0.20%

**Table 6: Top 10 Lowest Cost of Living: U.S. States and Territories<sup>2</sup>**

States/Territories	2020 Q3: % Above National Average	2020: % Above National Average	% Change
Mississippi	15.20%	15.50%	0.30%
Kansas	12.10%	13.20%	1.10%
Oklahoma	13.20%	12.80%	-0.40%
Arkansas	12.20%	11.90%	-0.30%
Missouri	11.10%	10.90%	-0.20%
Alabama	10.60%	10.80%	0.20%
New Mexico	10.40%	10.70%	0.30%
Georgia	10.60%	10.30%	-0.30%
Tennessee	9.80%	10.30%	0.50%
Indiana	9.60%	10.20%	0.60%



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<sup>1</sup><https://www.salary.com/research/cost-of-living/ct#locationdesc>

<sup>2</sup><https://meric.mo.gov/data/cost-living-data-series>

# CONNECTICUT WAGE CHANGE

By Sean Patrick

The dataset is built using data gathered from the U.S. Bureau of Labor Statistics, State Occupational Employment, and Wage Estimates. The dataset is a multi-variate annual data set of all occupations by, State, Year, Employment (The estimated total employment rounded to the nearest 10 excludes self-employed.), Employment RSE, Mean Wage RSE (Relative Standard Error (RSE) is a measure of the reliability of a statistic, the smaller the relative standard error, the more precise the estimate), Mean Hourly Wage, Mean Annual Wage, Yearly Percent Change In Hourly Mean Wage, and Yearly Percent Change In Annual Mean Wage. The purpose is to report on nominal mean wage change from May 2006 to May 2020, concerning Connecticut, specifically looking at the pre-recession conditions.<sup>1</sup>

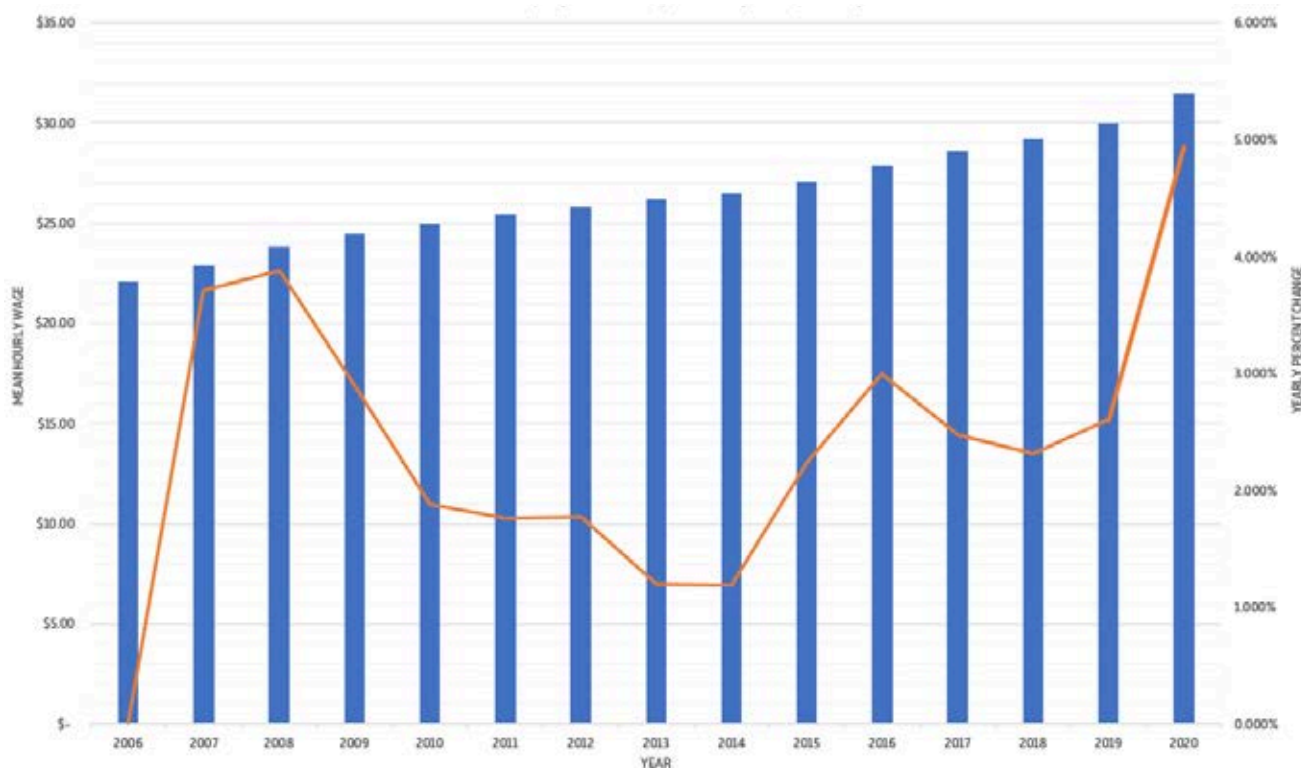
The current growth target for nominal wages is 3.5% to 4%, which is the national growth target based on the Federal Reserve's 2% price inflation goal and the 1.5% to 2% productivity growth. The actual national change in nominal wages is 3.0% as of February 2020.<sup>2</sup>

Before the Financial Crisis of 2008, from May 2007 at 3.710% to May 2008 at 3.883%, Figure 10 demonstrates that the change in mean hourly wage was increasing. Further, it was meeting the growth target, between 3.5% and 4.0%. When the effects of the GFC hit wage change, there was a steady decline from 2008 and bottoming out in 2014 at 1.185%. It is not until, May 2019 to 2020 that the change in mean hourly wage recovered to and surpassed the pre-2008 recession levels. From May 2019 to May 2020, change equaled 4.937%, which is an impressive gain compared to the national target of 3.5% to 4.0%.

It is noteworthy that there was a significant decline of 124,230 in Connecticut's total employment from May 2019 to May 2020. Which could have had some effect on the overall change of hourly mean wages between that period.

Wage change, especially if there is a significant positive change, is a good indicator of the financial health of a state. If there is evidence of increasing wages in a state compared to other states it might

Figure 10: Connecticut Yearly Percent Change in Hourly Mean Wage

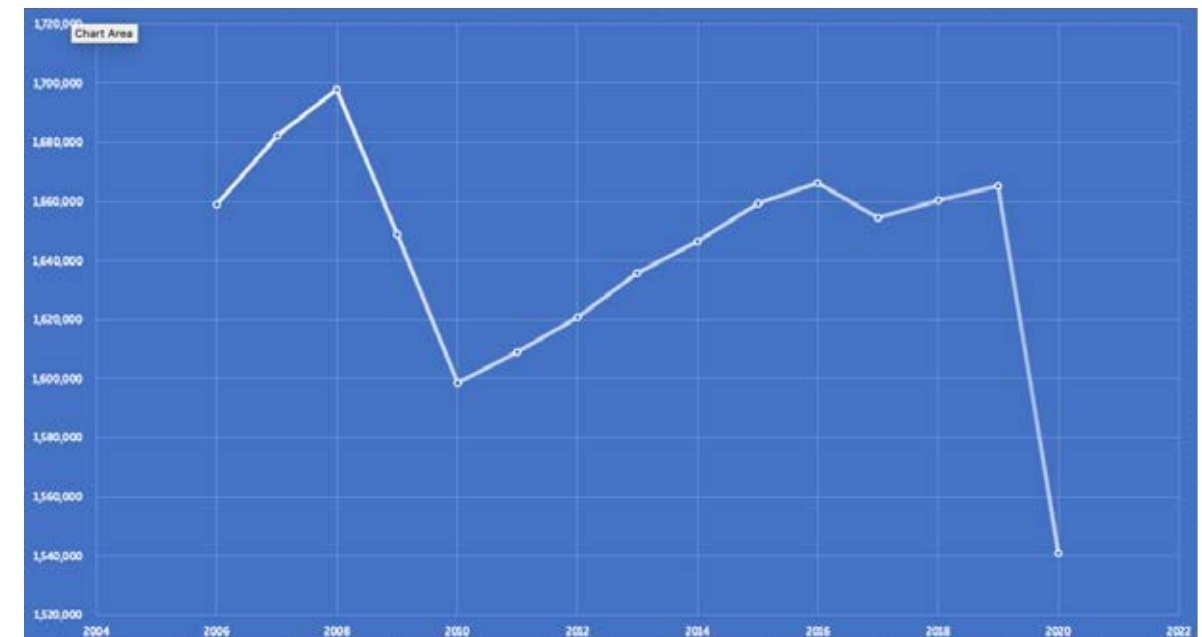


entice people to look for employment in those states. Population changes have the potential to alter consumption and GSP for that state. This dataset does not consider the individual sectors of Connecticut, which may influence wages the overall estimated means. Pre- Covid 19, Connecticut was witnessing a positive change in mean hourly wages that exceeded both the pre-GFC levels and the national targets.

The Covid-19 recession and subsequent lockdowns may have a negative effect on Connecticut's change in wages, from May 2020

to May 2021. I can only look at the initial state of mean hourly wages pre-recession in Connecticut, and form a base prediction, using this dataset. Based on historical trends I would predict that there will be a decline in the increasing change of mean hourly wages in Connecticut. It will be interesting to see if the change in mean hourly wages takes as long to recover from the Covid 19 recession.

Figure 11: Connecticut Total Employment



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<sup>1</sup> "Tables Created by BLS." U.S. Bureau of Labor Statistics, U.S. Bureau of Labor Statistics, 8 June 2020, [www.bls.gov/oes/tables.htm](http://www.bls.gov/oes/tables.htm).

<sup>2</sup> "Nominal Wage Tracker." Economic Policy Institute, EPI, [www.epi.org/nominal-wage-tracker/](http://www.epi.org/nominal-wage-tracker/).

# ASSESSING THE DEMAND OF FOOD AND BEVERAGES WITH THE CONSUMER PRICE INDEX (CPI)

By Hannah Providence

The spending of the typical consumer has shifted significantly since a plethora of new social-distancing measures were instated across the United States to help combat the novel coronavirus (SARS-COV2) that is spreading the COVID-19 disease. Consumers are spending more money on essential goods such as food and household items and less on nonessential items such as airline tickets, transportation, clothing, and similar commodities. Now, over a year into the pandemic, this spending has increased the cost of living in the United States. The Consumer Price Index (CPI) shows a 2.6 percent increase from March 2020 to March 2021, a testament to the rise in inflation this past year.

However, in April 2020, the CPI experienced its largest monthly decline since December 2008 of 0.8 percent, likely due to the stay-at-home orders and closures of many nonessential businesses across the country. Because of the extremely low demand, many markets' prices declined as well resulting in decreases in percentage change. The BLS reports that "indexes for apparel, motor vehicle insurance, airline fares, and lodging away from home all fell sharply" in April.

In contrast, food indexes – an essential market – rose in April. The "food-at-home" index posted its largest monthly increase since February 1974, increasing by 2.6 percent between March 2020 and April 2020. This accurately mimics the behavior of the United States during that time, as many began working from home and were ordered to stay inside, only leaving the home for essential services.

Fast forward to 2021, a year later, the food and beverage index is still increasing, but at a much smaller margin. The March 2021 CPI report notes a 0.1 percent rise in the food index from Feb 2021 for all urban consumers (see Figure 12). In the New England region specifically, the food index has decreased by 0.5 percent since January. Prices in New England were lower for both food at home and food away from home, down 0.5 and 0.4 percent, respectively, easing the cost-of-living on vital goods for residents.

Looking at the 12-month CPI (March 2020 to March 2021), price increases in the New England region also lag that of the nation. The food index nationally experienced a 3.6 percent increase – as opposed to just a 3.3 percent increase in New England. However,

although the nation experienced a 3.7 percent increase in food away from home, the New England region and the nation experienced a 4.5 percent increase, which also indicates price increases in the restaurant market. For the New England region, in particular, prices are increasing faster for restaurants than they are for groceries.

The March 2021 CPI report also sheds light on a market that has shown continuous growth over the past 12 months – food at home. Over the past 12 months, the food-at-home index increased by 3.3 percent. The BLS reports that "all six major grocery store food group indexes increased over the period, with increases ranging

from 1.6 percent (dairy and related products) to 5.4 percent (meats, poultry, fish, and eggs)," all of which is evidence of the impact that "stay-at-home" orders and closures/limited capacity at restaurants have had on the demand to cook and eat at home.

Overall, the food index is recovering well since the inception of the COVID-19 pandemic, and the cost-of-living increase reflects that. As more people stay home, they eat out less, and the grocery store demand illustrates this shift.

Figure 12: Percent Change of the Food Index (Sep-20 to Mar-21)



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- Consumer Price Index, Northeast Region – February 2021: Mid-Atlantic Information Office: U.S. Bureau of Labor Statistics ([bls.gov](https://www.bls.gov))
- New England Consumer Price Index Card: New England Information Office: U.S. Bureau of Labor Statistics ([bls.gov](https://www.bls.gov))
- Consumer Price Index - Northeast.pdf ([bls.gov](https://www.bls.gov))
- Consumer Price Index for February 2021 ([bls.gov](https://www.bls.gov))
- Consumer Price Index - April 2020 ([bls.gov](https://www.bls.gov))
- Consumer Price Index (CPI) Definition ([investopedia.com](https://www.investopedia.com))



# WHY GAMESTOP WILL NOT BE THE LAST COMPANY SHORT SQUEEZED

By Matthew Liscio

On January 27, 2021, GameStop shares were trading at an all-time high of \$347.51. Which was an 8,810.51 percent over the previous year, an unheard-of return in the finance world. When there is a gain of that magnitude, it becomes clear that there is an abnormal market force affecting the price. In the case of GameStop and the other 29 companies, there was a short squeeze. This is not the first time a short squeeze event has occurred in the U.S. equity market. However, it is the first time a short squeeze was caused by people from "Main Street" via social media platforms. This event has highlighted the power of social media. It has given people louder voices and the ability to connect with people virtually, making it easier to start movements. This is the first time we have seen movement in the financial world like this.

Just as investors like to make money as stocks go up, investors also like to make money as stocks go down by short selling. "Short sellers are experienced investors who borrow shares of a stock that they expect will drop in value by the expiration date. The investors plan to sell the shares to buyers at market price and purchase back the shares later at an even lower price."<sup>1</sup> Instead of the phrase "buy low and sell high," these investors like to sell high and buy low. Shorting a stock is infinitely riskier than buying a stock outright because, as the stock rises in price, the short loses money.

"For a stock to be short-squeezed, it must first be 'heavily shorted due to investor pessimism.'"<sup>2</sup> Information was leaked to the public that large mutual funds were heavily shorting GameStop and other companies on and around January 27. An online discord called WallStreetBets used the power of social media to build a large enough following that, when moving as one group, they became a market mover. Although fundamental analysis is a huge part of equity pricing, market momentum also holds a large stake in the pricing of companies. WallStreetBets knew this and used it to their advantage. They were able to accomplish two goals. The first goal was to make money off the shorts. The second goal was to have the shorts lose as much money as possible. It was a socioeconomic battle between "Main Street" and "Wall Street." In this case, "Main Street" has claimed a win.

Robinhood's mission statement is "to democratize finance for all. We believe that everyone should have access to the financial markets, so we've built Robinhood from the ground up to make investing friendly, approachable, and understandable for newcomers and experts alike."<sup>3</sup> On Thursday, January 28, Robinhood restricted trading on certain equities in a decision that goes against its mission statement. This decision cost investors millions of dollars across the globe. At the same time, investors lost faith in Robinhood. This decision has brought into question the legality of Robinhood's reach over its investors.

Robinhood's decision to pull the plug on trading received major backlash from people on both sides of the aisle. Senator Alexandria Ocasio Cortez said, "What was happening here with Robinhood and with these trades were that everyday people were starting to be able to identify and exploit vulnerabilities in the system that has traditionally been cordoned off." Senator Ted Cruz, a strong opponent of AOC said he "fully agrees" with AOC's remarks – marking one of the few times two strong senate opponents agree on something. The market should be as free as possible. No investor should be prevented from performing a transaction in the open market.

Despite this, Robinhood's reason to halt trading is legitimate. Robinhood needed to increase its collateral with the Depository Trust and Clearing Corporation for various reasons.<sup>4</sup> If Robinhood does not have enough collateral, the company cannot manage its risk properly. They must either raise more capital or downsize the business. In this case, Robinhood did not have enough collateral to manage the risk of the unexpected trading volume. This begs the question, should there be regulations put into place to prevent this from happening again? If so, what should those regulations entail?

The required capital for stockbrokers should be increased to an amount that would be large enough to guarantee a backstop for any sort of unusual trading in the future because, with investing becoming more available to mainstream America, investment trends may differentiate from the past. With market momentum pricing occasionally overriding the fundamental analysis pricing,

brokers need to be prepared for rising volatility in stocks. As of March 28, 2021, GameStop is still trading over 9.6 times higher than it did at the end of 2020. In this period, there has been no fundamental change in the company.<sup>5</sup>

The combined impact of social media giving everyone a platform to voice their opinion and brokerage firms allowing commission-free trades and greater access to information have given life to this financial movement. If those factors are in place, we will continue to see unusual price movements. Fundamental analysis will always be valuable, but, market momentum will continue to be an increasingly larger factor in regard to future equity pricing.



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<sup>1</sup> <https://marketrealist.com/p/are-short-squeezes-illegal/#:~:text=Short%20squeezes%20aren't%20illegal%20but%20can%20have%20a%20massive,abusive%20or%20manipulative%20short%2Dselling>

<sup>2</sup> <https://marketrealist.com/p/are-short-squeezes-illegal/#:~:text=Short%20squeezes%20aren't%20illegal%20but%20can%20have%20a%20massive,abusive%20or%20manipulative%20short%2Dselling>

<sup>3</sup> <https://robinhood.com/us/en/support/articles/our-mission/#:~:text=Robinhood's%20mission%20is%20to%20democratize,for%20newcomers%20and%20experts%20alike>

<sup>4</sup> [www.barrons.com/articles/why-did-robinhood-stop-gamestop-trading-51611967696](http://www.barrons.com/articles/why-did-robinhood-stop-gamestop-trading-51611967696)

<sup>5</sup> <https://finance.yahoo.com/quote/GME?p=GME&tsrc=fin-srch>

## THESE PRICES ARE TOO DAMN HIGH!

Sean Patrick

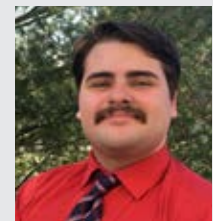
The coronavirus pandemic has altered how we live our daily lives and reshaped how we view a standard workday. The pandemic has hurt every job sector. The energy sector is one that often gets ignored – more specifically, coal energy and coal plants. The biggest drawback of coal-based energy is that large amounts of CO2 emissions pollute the air. The major concern with this is whether large amounts of air pollution cause an increase in and severity of COVID-19 infections. If this is the case, the next issue worth exploring is whether the public-health risks outweigh the economic impact of simply shutting down coal energy plants for the remainder of the pandemic to curb the spread of COVID-19.

There have been numerous studies conducted exploring the topic of air pollution and infectious viruses and diseases. According to an assessment of research done at Harvard by the Harvard T.H. Chan School of Public Health, “people who live in places with poor air quality are more likely to die from COVID-19.”<sup>1</sup> This statement is consistent with the literature on this subject. According to Croft et al., “increased rates of culture-negative pneumonia and influenza were associated with increased” levels of air pollutant concentrations.<sup>2</sup> The consensus from the literature is that, the more air pollution that an individual is exposed to, the more susceptible they are to viruses and disease.

At this point in the pandemic, there is no point in shutting down coal plants to reduce air pollutants and reduce the spread of COVID-19. Multiple vaccines have been distributed nationwide, and it seems that we are nearing the final stages of the pandemic at long last. In short, the costs outweigh the benefits of these types of regulations. But this does not mean we should ignore this in future pandemics.

The biggest concerns when it comes to the pandemic should be the safety of as many people as possible and how fast society can return to normal life. A simple way of looking at this is through a cost-benefit analysis. In the most rudimentary form, the costs would consist of the revenue lost by energy companies and the coal plant and coal mining jobs that would be lost for the duration of the pandemic. The simplified benefits of this decision would be every potential life saved and a speedy return to normal life. Because coal plants tend to be placed in poor areas, the communities in these areas would benefit greatly from the reduced COVID-19 impacts. In these simple cases, the costs and benefits are subjective, and a further investigation would need to be conducted to obtain an objective answer.

The problem with forcing a whole shutdown of a sector is that someone will have to pay for the consequences. The best way the government can help is by giving the energy companies incentives and subsidies to assist in the temporary closure of coal plants. Workers would need to be put on unemployment, just like millions of other Americans during these times. Even though there is no point in shutting down coal plants to help fight against COVID-19 right now, it may be worthwhile to enact a temporary halt during future pandemics.



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<sup>1</sup> [www.hsph.harvard.edu/c-change/subtopics/coronavirus-and-climate-change/](http://www.hsph.harvard.edu/c-change/subtopics/coronavirus-and-climate-change/)

<sup>2</sup> [www.ncbi.nlm.nih.gov/pmc/articles/PMC6394122/](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC6394122/)

## COVID-19 AND THE COAL INDUSTRY

By Kyle Longo

The start of the Covid-19 pandemic in March 2020 in tandem with the increasing extremes in weather patterns to April 2021, has seen a significant increase consumer price index for food (not seasonally adjusted). The CPI for food only measures the changes in the retail prices of food items. The food at home prices is the part of the CPI for food that saw a substantial increase compared to 2019's, 0.9% change in CPI. In 2020 the food at home price saw a 3.5% increase. This is a meteoric increase, for the overall increase in food at home prices, this was a 75% increase over the average, based on the 2.0% per year, 20-year historical level of retail price inflation.<sup>12</sup>

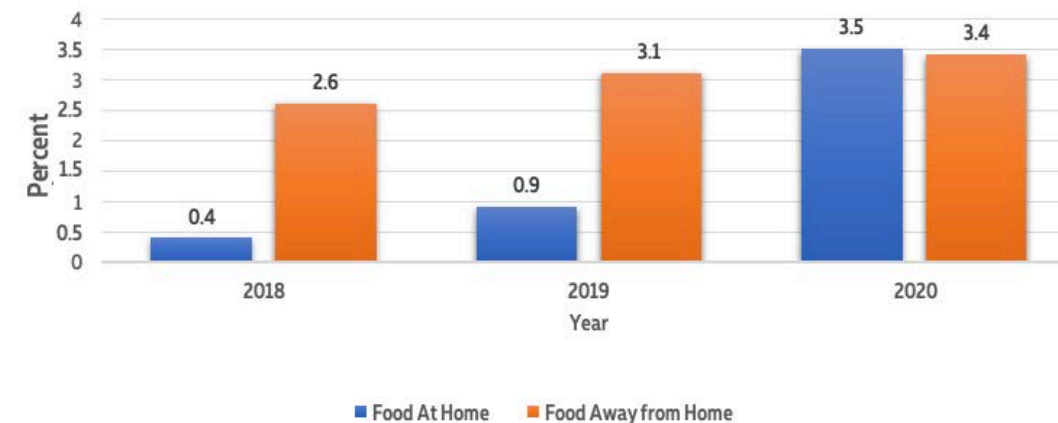
The combination of production shortages and spikes in demand have caused food at home prices to rise, meat being one of the biggest offenders, sadly beef saw one of the largest increases at 9.6% in 2020. There is some hope on the horizon for beef lovers and the

4th of July celebrations. The USDA Economic Research Service projects that those prices will decrease from anywhere 0.5% to 1.5% in 2021.<sup>1</sup>

I can attest to these price increases, having firsthand knowledge watching the changes in price and frequency of the rate of change. Item price increases are greater in the number of items and prices when compared to the items that have had price drops.

Some see the increasing food at home prices, as a temporary situation, but the ERS forecasts that these prices will increase between 2.5% and 3.5%, for 2021. I agree with ERS's forecasts that this percent change in retail prices will be the hallmark of 2021 as well.

**Figure 13: Changes in Consumer Food Price Indexes, 2018 through 2020**



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<sup>1</sup> Chelius, Carolyn, and Matthew MacLachlan. "Summary Findings." USDA ERS - Summary Findings, 23 Mar. 2021, [www.ers.usda.gov/data-products/food-price-outlook/summary-findings/](http://www.ers.usda.gov/data-products/food-price-outlook/summary-findings/).

<sup>2</sup> "Consumer Price Index Summary." U.S. Bureau of Labor Statistics, U.S. Bureau of Labor Statistics, 13 Apr. 2021, [www.bls.gov/news.release/cpi.nr0.htm](http://www.bls.gov/news.release/cpi.nr0.htm).



# HERE'S WHY BIDEN EXPANDING THE AFFORDABLE CARE ACT WILL BENEFIT THE ECONOMY

By Hannah Providence

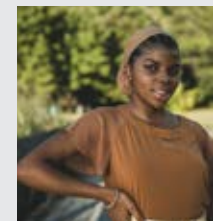
“Medicaid for all” is a popular tagline thrown around the White House, advocated for by many Democrats and often resisted by Republicans. Although the United States does not seem to be on the path to a single-payer, government-run insurance program anytime soon, President Biden has recently taken steps to expand the Affordable Care Act (ACA). With the new expansion, the futures of the U.S. economy, and U.S. households, are looking up.

## How Biden Is Expanding the ACA

The expansion is driven by a provision in the president’s \$1.9 trillion stimulus law in response to the ongoing COVID-19 pandemic. Biden has increased premium subsidies that now allow for more Americans to qualify for more federal aid with their insurance coverage. The subsidies benefit both the top and bottom of households on the U.S. income spectrum in a positive manner. From the higher income end of the spectrum, households earning more than four times the federal poverty level are now eligible to apply for the ACA. In addition, “enrollees raking in income greater than 400 percent of the poverty line will pay no more than 8.5 percent of their income toward coverage, down from nearly 10 percent.” On the lower end, enrollees below the poverty line will pay no premiums for two years, and those collecting unemployment benefits will also qualify for no premiums in 2021.

The demand for this expansion was prevalent in 2020 – and even now in 2021. When Biden reopened the federal Obamacare exchange in mid-February 2021, over 206,000 people signed up for coverage in the first two weeks of the special enrollment period. This is more than double the number of people who signed up during the same two-week periods in 2019 and 2020. These numbers are a testament to the number of Americans who have fallen into economic insecurity during the COVID-19 pandemic – a time of great instability and uncertainty.

The ACA expansion provides necessary relief for individuals and their households, but it is also of great benefit to the economy in the short and long term.



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## The ACA Benefits the Economy

The ACA has proven to be effective since its implementation in 2010, and it has shown strong growth over the years. A study by the Bureau of Labor Statistics examines the differences between states who opted into Medicaid expansion in 2014 and states who did not. The analysis found that the ACA with Medicaid expansion increased household insurance coverage by 2.9 percentage points more than it would have increased without – a positive trend for universal health care coverage policies.

Medicaid, and subsequently the ACA, are forms of automatic stabilizers for the economy. An “automatic” or “built-in” stabilizer usually takes the form of direct payments to individuals and will automatically change when economic conditions change. These are programs put in place to help offset low-income and other targeted demographics. ACA falls under this concept because federal payments increase as more citizens apply for and meet the criteria for the ACA.

Automatic stabilizers have proven to be extremely beneficial to the economy because they help mitigate the impact of an economic recession almost immediately, as many individuals who have fallen into poverty suddenly can quickly receive financial support through these stabilizers. In addition, because they are automatic, they leave little room for political debate and thus, again, are enforced quickly.

Many economists have emphasized the importance of health care spending during this unique recession in 2020, which was triggered by a health crisis. Combatting the deadly COVID-19 virus with limited resources and treatment options calls for a lot of fiscal support from the federal government.

Generally speaking, expanding a powerful tool like the ACA will help the U.S. economy quickly combat issues that many face during economic downturns. When people lose their jobs due to a poor economy, they also lose their health insurance coverage, as millions have during this current economic downturn. The Kaiser Family Foundation estimated that the number of people with employer-based insurance dropped by two million to three million from March to September last year.

## The Bottom Line

What defines a good economy is not whether the economy is in a recession or not, but how quickly it is able to bounce back from the economic downturn. Strong automatic stabilizers and continuous expansion of those programs will be greatly beneficial for individuals directly suffering – and the economy as a whole.

# TITLE?

By Estanislao Desseno

The U.S. economy went through a big hit after the pandemic struck. The unemployment rate peaked at an unprecedented level, not seen since data collection started in 1948, in April 2020 (14.8 percent), and over 45 million Americans had filed for unemployment by early June 2020. Finally, GDP decreased an astonishing 32.9 percent during the first three months. Since then, continuous arguments have taken place regarding the best way to get the economy back on track. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, a \$2.2 trillion economic “stimulus” bill, was passed by Congress and signed into law by then President Trump.

Although this was a fast and adequate response to the crisis, it was approached in the wrong way by many politicians and the media, and the endless fights over further aid ended up delaying supplementary assistance to economic recovery, slowing it down during the last quarter of the year. Subsequent action was already necessary back in September, but none was taken, and this seriously affected the U.S. economy and its growth prospects. Unemployment has only decreased by 0.5 percent over the last five months.

As Paul Krugman stated in a New York Times column back in January, “The fact is that the U.S. government is not financially constrained. It has no trouble borrowing, and borrowing is very cheap, with the 10-year interest rate barely above one percent.” In addition to this, this interest rate is also far below the expected economic growth rate, which is an annual 3.7 percent. President Biden signed the American Rescue Plan on March 11, enacting a nearly \$1.9 trillion pandemic relief package, with benefits including another round of stimulus payments and an extension of unemployment benefits and generous tax breaks to low- and moderate-income people. The question here is, Why did this next relief package take so long?

The truth is that politics ended up hurting the U.S. recovery prospects. The continuous disputes between the two houses had the whole country waiting for assistance for more than half a year. In the meantime, there was a second spike that set the economy back even more, and the support from the first relief was already greatly reduced by the time September arrived. Back then, talks about further aid were already serious, and people had high expectations for this help. Nevertheless, this was delayed until March – almost one full year since the first package was approved. In a time when politics should have been the first thing set aside to come together and help the country, this did not occur.

Now that the \$1.9 trillion American Rescue Plan was approved, we can look forward to a stronger economy by the second and third quarter of the year. Backed by a successful vaccination campaign, the United States could be on the right track toward recovery. The package has already begun to reach families and small businesses for about two weeks now, and we will hopefully be able to see some of its effects by the time unemployment numbers come out for April. The Fed has already stated that the US economy is heading for its strongest growth in 40 years, and inflation, expected at 2.4 percent for the year, is only 0.4 percent above the target. This is encouraging news, and, as long as we are able to leave political differences aside, the economy should be able to get back on its feet soon.



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<https://fortune.com/2020/06/18/45-7-million-have-filed-unemployment-during-the-pandemic-greater-than-the-combined-population-of-23-states/>

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[www.reuters.com/article/us-usa-fed-idUSKBN2B90KE](http://www.reuters.com/article/us-usa-fed-idUSKBN2B90KE)

# MUSK MANIPULATION: TESLA AND ITS INVESTMENT IN BITCOIN

By Kevin Suprono

The second richest man in the world, Elon Musk, in early February, invested in Bitcoin (Forbes 2021). His electric vehicle and clean energy company Tesla bought \$1.5 billion worth of Bitcoin for “more flexibility to further diversify and maximize returns on our cash” (Kovach 2021). Musk, a billionaire in his own right, capitalized on his ability to influence the market through social media for financial gain. After Tesla’s purchase of Bitcoin, Musk went to Twitter and posted encouraging tweets regarding Bitcoin to his approximately 46 million followers. As a result, the price of Bitcoin rose 10 percent (de la Merced). As a result, Elon Musk manipulated the cryptocurrency market for financial gain. While stating it was an investment for Tesla, he individually increased the price of Bitcoin through a series of pro-Bitcoin tweets.

Benefiting from the price increase, not only did the value of Bitcoin increase but the share price of Tesla increased as well. In Figure 14, The increase from the February 5 closing price to the February 8 open price for Tesla stock increased by approximately \$45. An already volatile stock, Tesla’s stock price responded positively to the Bitcoin investment news. The value of Bitcoin also increased after the pro-Musk tweets. In Figure 15, from February 7 to February 9, the value of Bitcoin increased by roughly \$7,700, its sharpest increase in 2021. Bitcoin continued to see an incremental increase the following week, as the impact of Musk’s social media posts produced an increase in demand and legitimacy for Bitcoin. In January, Musk demonstrated his ability to influence the market through social media when he changed his Twitter bio to “#Bitcoin,” raising the price of Bitcoin almost 20 percent (Bambrough 2021). On February 14, Musk sent out a tweet stating that “If major Dogecoin holders sell most of their coins, it will get my full support. Too much concentration is the only real issue imo.” This resulted in a 23 percent decrease in the value of Dogecoin, only hours after the tweet was sent (Thomson 2021). The

Figure 14: Tesla Stock Price

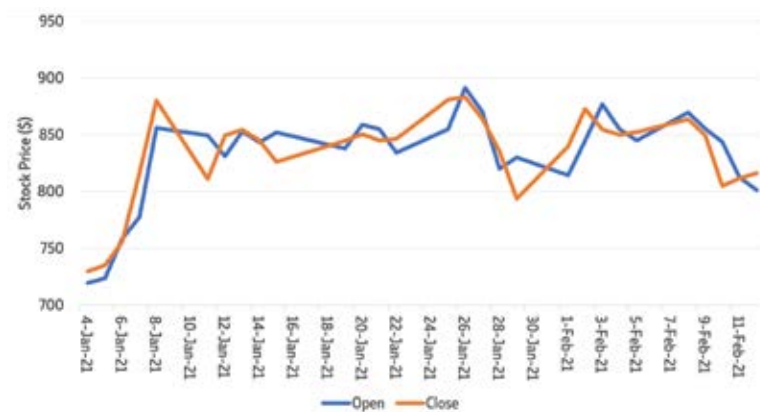
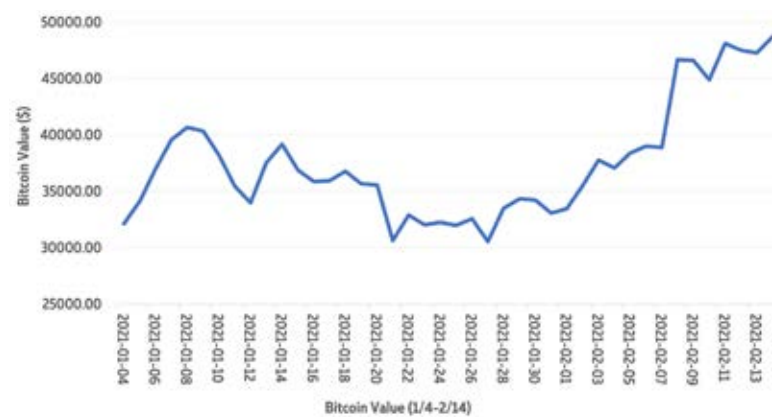


Figure 15: Coinbase Bitcoin (USD)

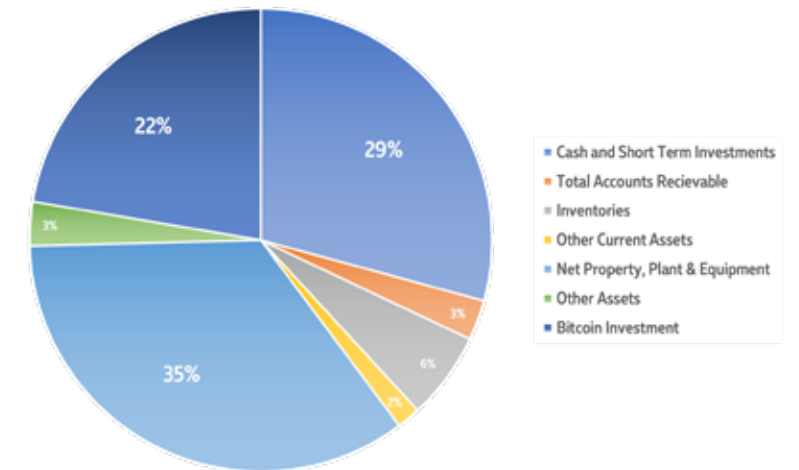


volatility potential Musk has is outstanding, one that other wealthy individuals can exercise as well. In this case, his potential was used to better a position in Bitcoin for Tesla.

Musk’s stance on Bitcoin was one of investment, as Tesla was to begin accepting Bitcoin as payment “in the near future.” In Figure 16, Tesla’s Q4 Earnings assets are included along with the \$1.5 billion dollar Bitcoin investment. If the Bitcoin investment were to have been reported with the Q4 earnings report in December 2020, it would have made up 22 percent of the current assets of Tesla, almost a fourth of the total assets. If Bitcoin were to see a substantial increase in value, approximately a quarter of Tesla’s assets would increase in value as well. With a \$1.5 billion dollar position in Bitcoin, Musk would benefit greatly if the value of Bitcoin were to increase, especially if he were able to influence it himself.

To prevent companies taking large positions on Bitcoin and manipulating the market through means such as social media, regulatory measures could alleviate this issue. Regulatory authorities across the globe are planning to institute cryptocurrency regulations to control company investment and trader speculation in cryptocurrency (Jafar 2021). If regulations are the most popular way in which to decrease crypto market manipulation, then the Securities and Exchange Commission (SEC) can take the lead in the United States. Within their own responsibilities, SEC regulations are limited to civil lawsuits. These include injunctions, civil money penalties, and the disgorgement of illegal profit (Chen 2020). Injunctions are orders that prohibit future violations, and ignoring these can lead to fines or imprisonment. Optionally, the SEC may also ask the court to bar or suspend individuals from acting as corporate officers or directors. Oftentimes this

Figure 16: Tesla Assets (Dec 31st 2020)

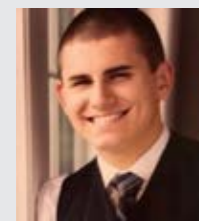


leads to cease and desist orders, revoking or suspending registration, or imposing bars or suspensions on employment. These regulations could provide accountability and encourage companies to follow the regulations laid forth by the SEC.

In the age of social media, the ability to influence is abundant. Elon Musk was able to influence the price of Bitcoin after Tesla took a substantial position in Bitcoin to benefit not only the value of Tesla’s assets but also the value of Tesla’s stock itself. It is not a question of morality or justification, rather a concerning behavior that can increase the volatility of the marketplace by anyone with enough influence. It is imperative that regulatory agents be aware of the impact and relationship social media and market manipulation have on the financial world. Maybe the free market is not so free after all.

\*The author does not have a position in Bitcoin

<https://www.forbes.com/real-time-billionaires/#4c6a59e23d78>  
<https://www.cnn.com/2021/02/08/tesla-buys-1point5-billion-in-bitcoin.html>  
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**The Connecticut Economic Activity Report** is a publication of the Department of Economics and Business Analytics, Pompea College of Business, University of New Haven, 300 Boston Post Road, West Haven, CT 06516.

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