

# REMI 35<sup>TH</sup> ANNUAL USERS CONFERENCE OPENING REMARKS

*what does **REMI** say?*

**Presented by Dr. Frederick Treyz**

# Covid Economics



- Massive disruption, uncertainty: everything is “off the charts”
- Government policy is front and center
- Future economic structure, particularly urban and regional, is unknown (but important to think about and model).
- Policy decisions need to be made, despite the uncertainty

# REMI Modeling



- Focus on forecasting in 2020
- Economic Model scenarios are critical: policy makers need a Plan A, B, and C.
- New REMI IQ+ model for quarterly economic analysis.
- REMI responding to increase in need for model technical support, research and development.

# 2020: The Regional Dimension



- Shift in standard of living urban vs. suburban and rural
- Place of residence/place of work shift—away from high-cost, high-contact cities to lower cost and uncongested locations
- Remote work is restructuring spatial distribution of workforce

# Standard of Living Shift



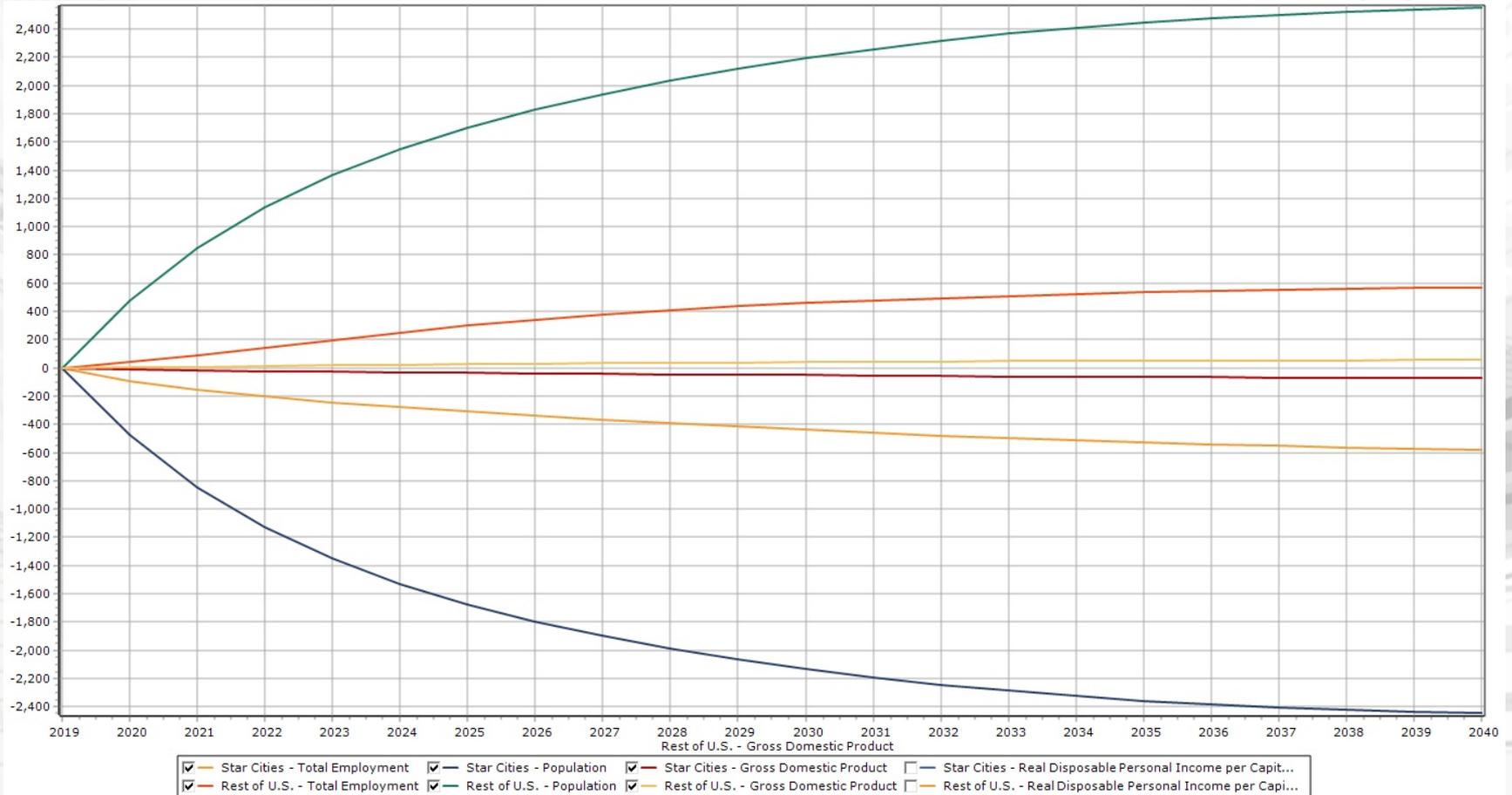
- GDP as measured estimated to decline by about 4%
- This measurement does not account for loss of consumer surplus in social activities (GDP better at measuring material rather than non-material standard of living). Experiences vs. stuff.
- Regional Dimension: more socially distanced lifestyle of the suburbs and rural America is relatively more attractive than urban life.

# Amenity Shift



- “Star Cities Model”
- Region 1: core county of Seattle, SF, LA, Boston, NY and DC
- Region 2: rest of the U.S.
  
- 20% decrease in ‘amenity’ of Star Cities (increase of 20% in expected real wage to retain population)

# Amenity Shift



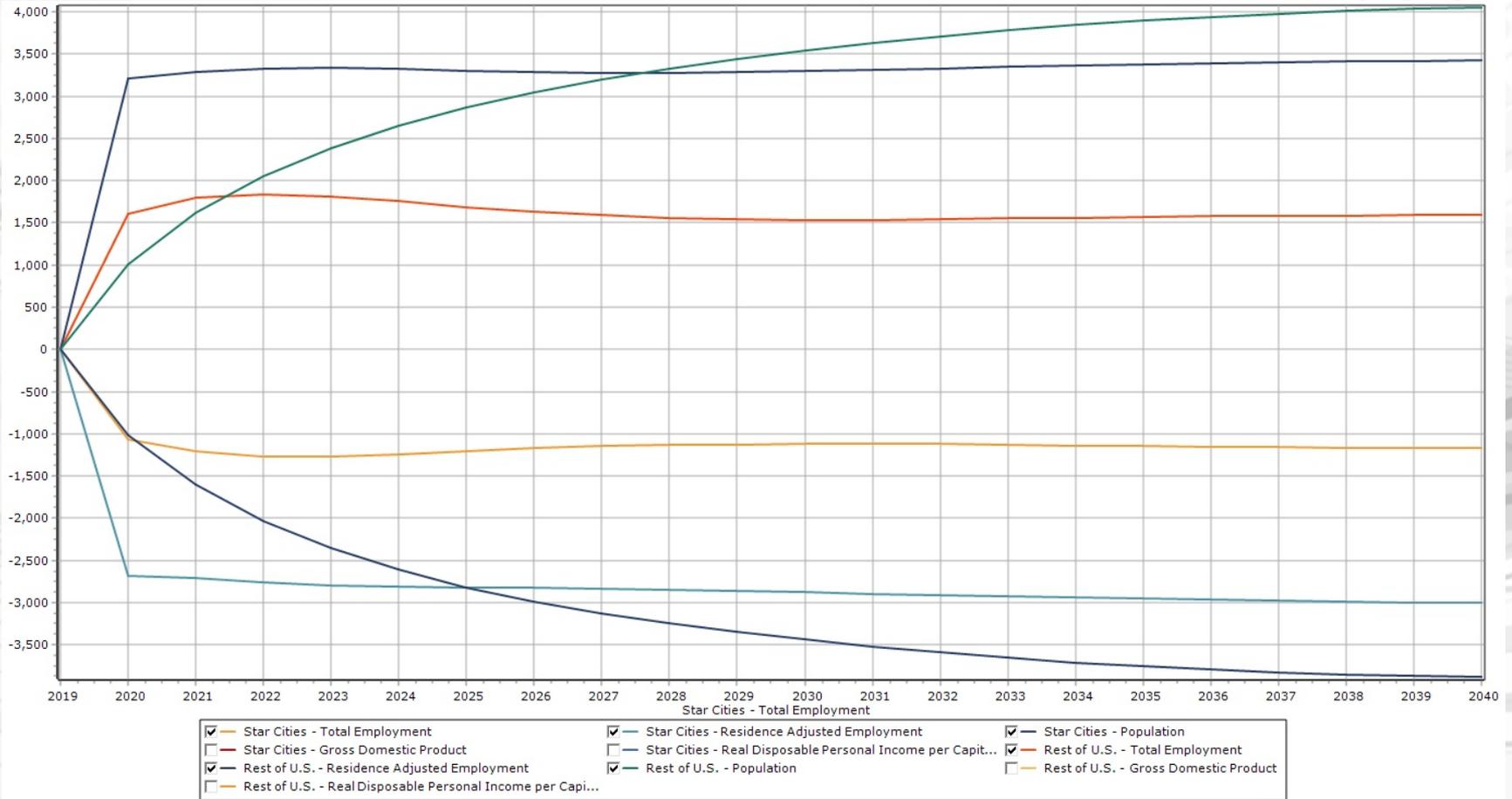
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# Residence Adjustment



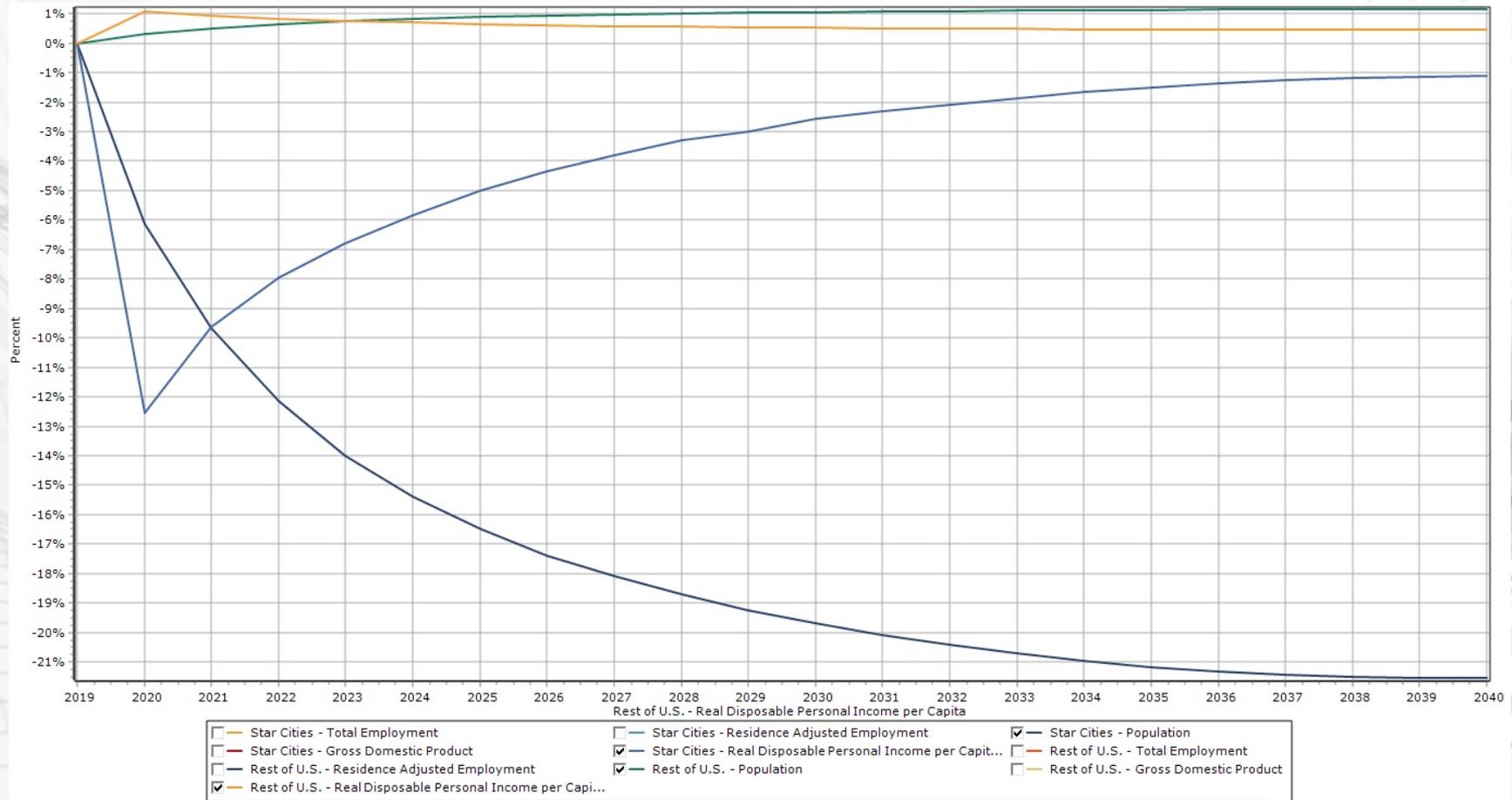
- 2 million workers shift place of residence from star city centers to rest of U.S.

# Residence Adjustment: Differences



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# Residence Adjustment: Percent



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# Labor Access Index



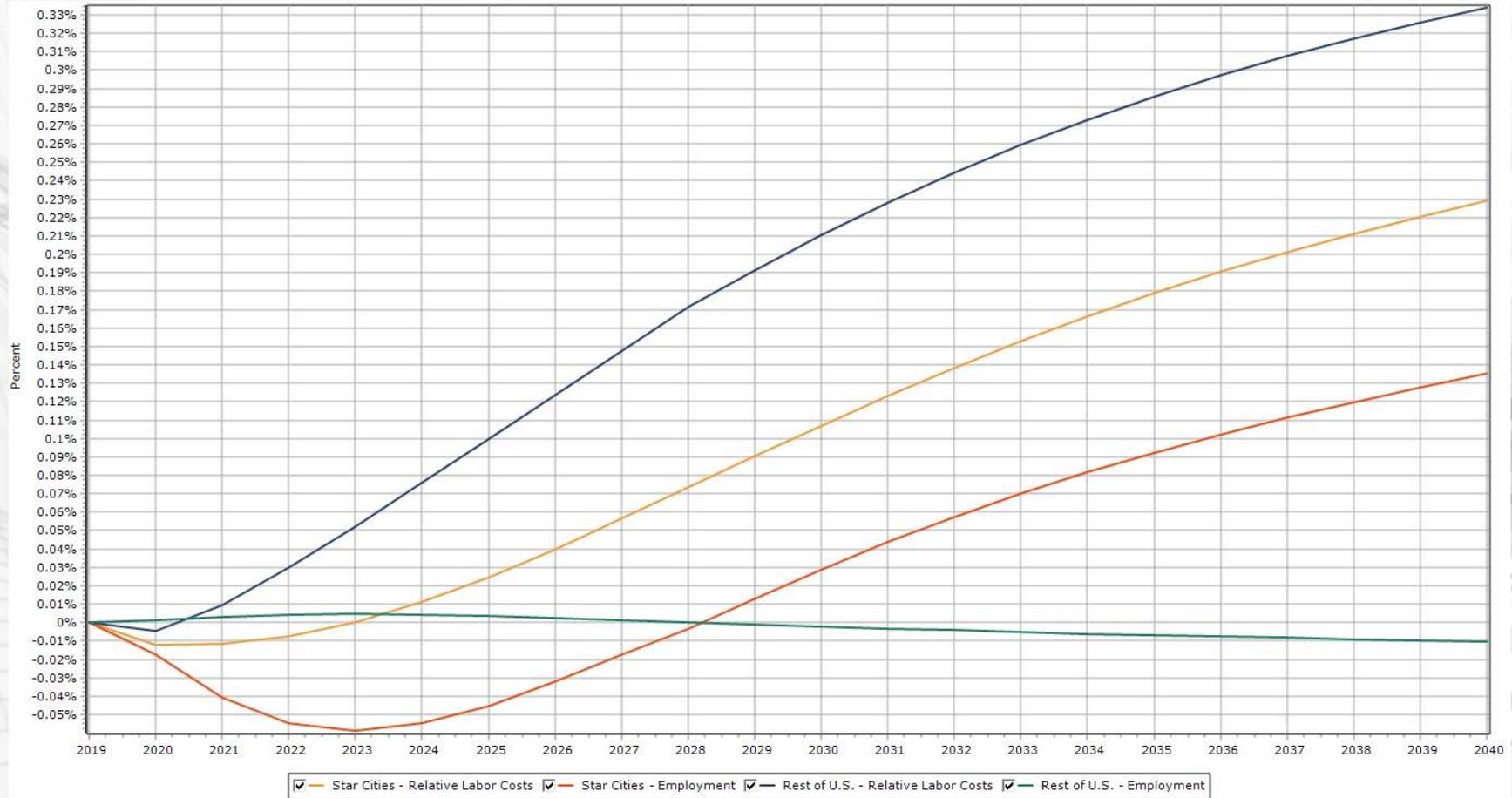
- 5% increase in labor access across the U.S.
- Initially, Star Cities lose jobs as competition for jobs increases for the rest of the U.S.
- Long-term, Star Cities role at the top of the urban hierarchy is strengthened by access to labor across the U.S.

# Example



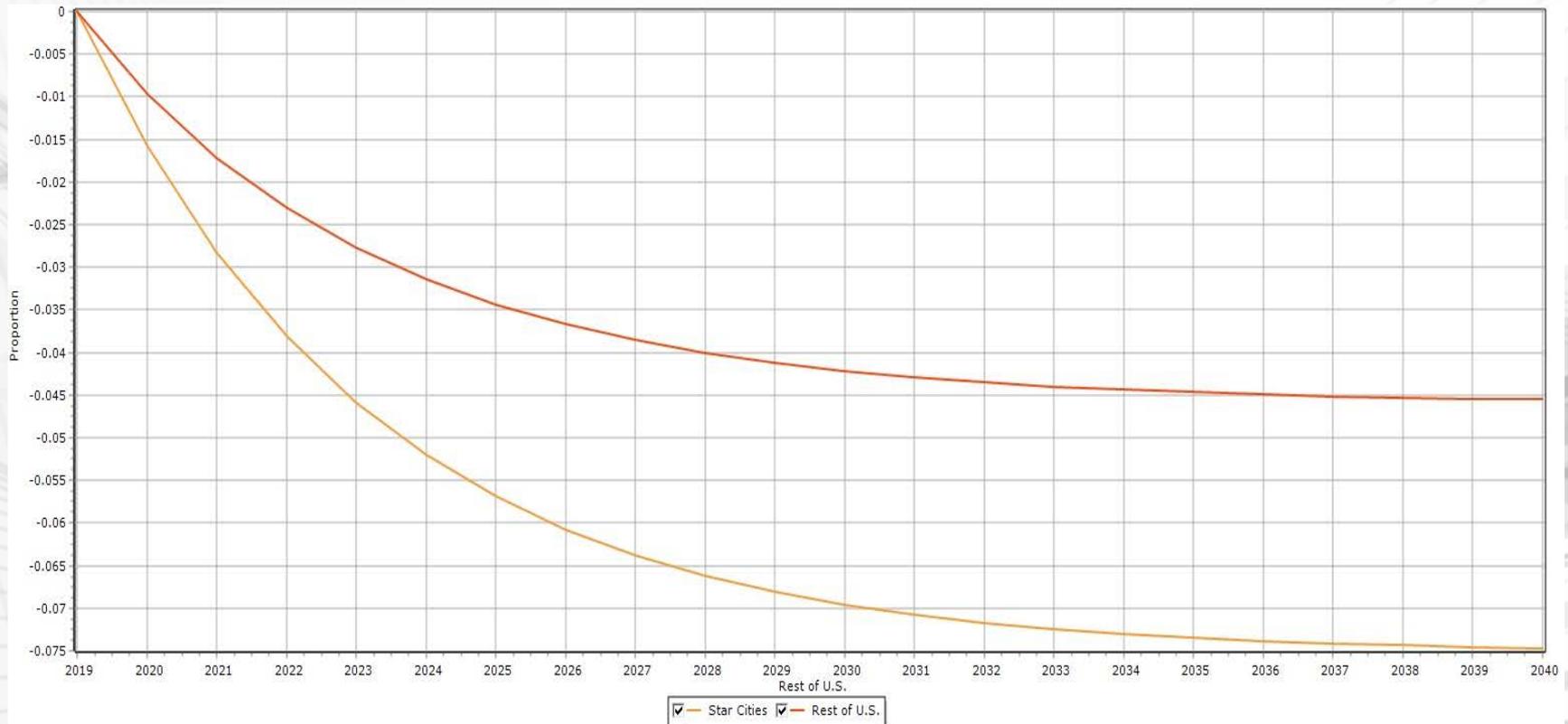
- In the short-term, Silicon Valley and New York lose jobs as Google and JPMorgan can more easily hire outside of their region.
- Long-term, Google and JPMorgan's competitive position is enhanced by increased access to labor, increasing jobs in the headquarters location.
- Agglomeration vs. dispersion

# Labor Access Increase: Employment and Labor Cost



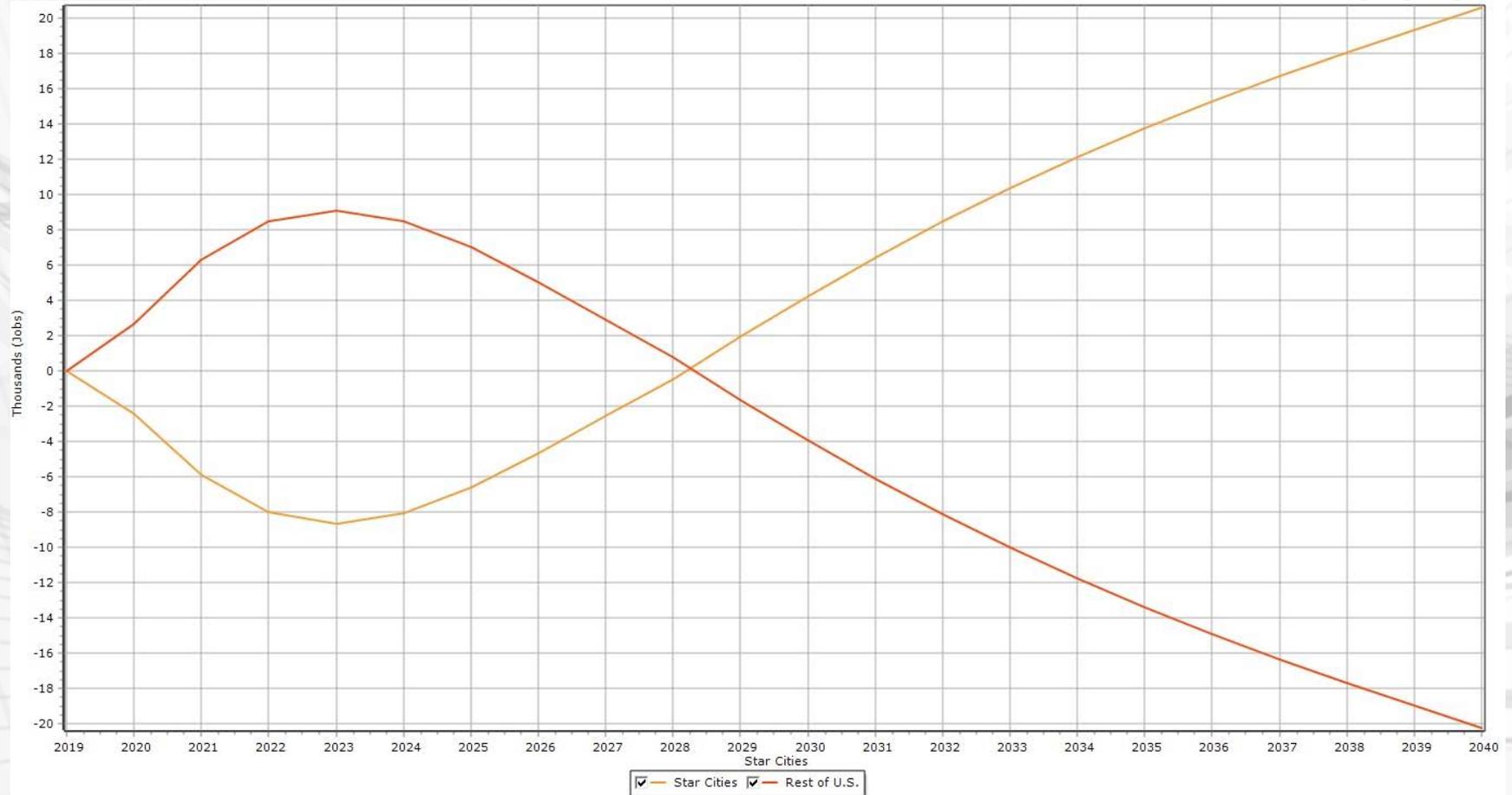
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# Relative Composite Labor Cost



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# Employment: Labor Access Increase



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# Responding to the Challenge



- Covid disrupts; modeling “experiments” allows us to test our ideas in a simulation framework
- Policies can make a big difference—a changing spatial environment provides potential for emergence of new industry clusters.
- Welcome to REMI Users Conference 2020!