We are headed into a difficult economic moment, exacerbated by existing vulnerabilities. Steps we take now can prevent future harm.
Heather Boushey
President and CEO
Washington Center for Equitable Growth

The Current State of the Economy
Unlike economic crises of our recent past, this is a health crisis that has precipitated an economic crisis.
The Disruption In Economic Terms

Steep Demand Shock

- Dramatic drop in consumer spending as people stay home and activity canceled
- Sick or laid-off workers have or are anticipating less money to spend

Some Supply Shortages

- Potential disruption in international supply chains as factories temporarily shut down and international air travel slows
- Anticipated impact for some medical supplies and pharmaceuticals
The Entire Country is Feeling the Effects

PERCENTAGE CHANGE IN TOTAL HOURS WORKED BY HOURLY EMPLOYEES IN THE US
Compared to median hours worked on same weekdays in January

Fewer Employees Were Going to Work, Even Before Forced Closures

PERCENTAGE CHANGE IN NUMBER OF HOURLY EMPLOYEES GOING TO WORK IN THE US
Compared to median attendance on same weekdays in January

A Staggering Rise in Unemployment Claims in One Week

Nationwide unemployment claims

Note: Official figures are seasonally adjusted. This week's claims are not seasonally adjusted and represent a third of total national employment. Source: Department of Labor, state level reporting.

The Potential Magnitude of Economic Disruptions
Widespread Layoffs and Business Closures

States with largest percent increase in initial UI claims compared to previous week

- NV: 14-Mar-20, 7-Mar-20
- WA: 14-Mar-20, 7-Mar-20
- D.C.: 14-Mar-20, 7-Mar-20
- NE: 14-Mar-20, 7-Mar-20
- RI: 14-Mar-20, 7-Mar-20
- MA: 14-Mar-20, 7-Mar-20
- AK: 14-Mar-20, 7-Mar-20
- VT: 14-Mar-20, 7-Mar-20
- MD: 14-Mar-20, 7-Mar-20
- CT: 14-Mar-20, 7-Mar-20
Precipitous Rise in Unemployment

State-Level Unemployment Insurance Claims
Data for Week Ending March 14, 2020

Percent Change in New Claims from Week Ago

Source: Department of Labor
Some Service Sector Jobs Will Be Particularly Hard Hit

Selected Countries' Restaurant Performance

Source: Google.
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States and Local Governments Could See Budgets Collapse

- Increased costs associated with emergency response
- Increase in safety net costs because of increased need
- Decreased revenues because of substantial decrease in economic activity
- Balanced budget requirements
Recession Is Expected. 
Key Question: How Deep and For How Long?
Recessions Have Long Term Effects

Recession effects on employment rates of college graduates aged 22–40

U.S. workers who enter the workforce during or just before a recession suffer a long-term cumulative negative impact on lifetime employment. Y-axis shows relative employment rates over early career in percentage points. Recessions are in white.

Michael Linden
Executive Director
Groundwork Collaborative

Underlying Vulnerabilities in the US Economy Have Left Us Insufficiently Resilient
Underlying Vulnerabilities in the U.S. Economy Have Made Us Less Resilient and Will Exacerbate this Crisis

- Widespread inequality and weak “jobless” recovery
- Eroded social supports, from paid sick leave to unemployment insurance
- Consumer-driven economy reliant on the service sector, uniquely hit by crisis
- Massive levels of corporate debt
- Unique precarity for marginalized communities
Underlying Vulnerability: Widespread Inequality

Deliberate policy choices that have favored the wealthy and well-connected, at the expense of working families

*Source: Annual Review of Economics, Saez & Zucman*
Underlying Vulnerability: Weak “Jobless” Recovery

Economic Expansion Since the Great Recession Has Not Reached Everyone

- Weaker labor standards
- Disempowered unions
- Profits and shareholders over investment in workers

**FIGURE A2**
Black or African American household wealth decreased significantly after the Great Recession
Median wealth among black or African American households from 1989 to 2016

Underlying Vulnerability: Eroded Social Supports, from Paid Sick Leave to Unemployment Insurance

- No paid leave guarantee
- Dearth in healthcare coverage and affordability
- Underinvested unemployment insurance
Underlying Vulnerability: Consumer-Driven Economy Reliant on the Service Sector, Uniquely Hit by Crisis

Social distancing and the drop in demand
Underlying Vulnerability: Massive Levels of Corporate Debt

Slowdown in spending, potential for default

U.S. Business Debt Outstanding
Firms took advantage of low rates

Source: Bloomberg, March 10, 2020
Underlying Vulnerability: Unique Precarity for Marginalized Communities

Average Family Wealth, by Race and Ethnicity, 1983-2016

Underlying Vulnerability: More Joblessness for Marginalized Communities

Source: Center for American Progress, February 2018
Mike Konczal
Director of Progressive Thought
Roosevelt Institute

Policy Choices Matter: Key Lessons and A Path Ahead
What Can the Federal Government Do?

Monetary Policy

Fiscal Policy
Lessons from Past Crises

• Remember: this is a health crisis first.

• The risks of doing too little greater than doing too much

• Beware lagging indicators and lack of real-time data

• Who gets help has consequences for public trust in government

• Policy choices matter
Our Immediate Path Forward: Fight on Many Fronts

• Address health needs.

• **Keep people whole**: automatically renewing economic and social supports *and* direct cash.

• Provide **needed support to workers**: Paid sick leave, protections for emergency and essential workers.

• Provide **money to states** and municipalities.

• **Prevent business collapse**: loans and other backstops, with strict conditions to put workers first.
Questions?