

The Economy and the Coronavirus: Making Sense of the Moment



Washington Center
for Equitable Growth



Agenda

Introduction

Felicia Wong

What We Know

Heather Boushey

Underlying Economic Vulnerabilities

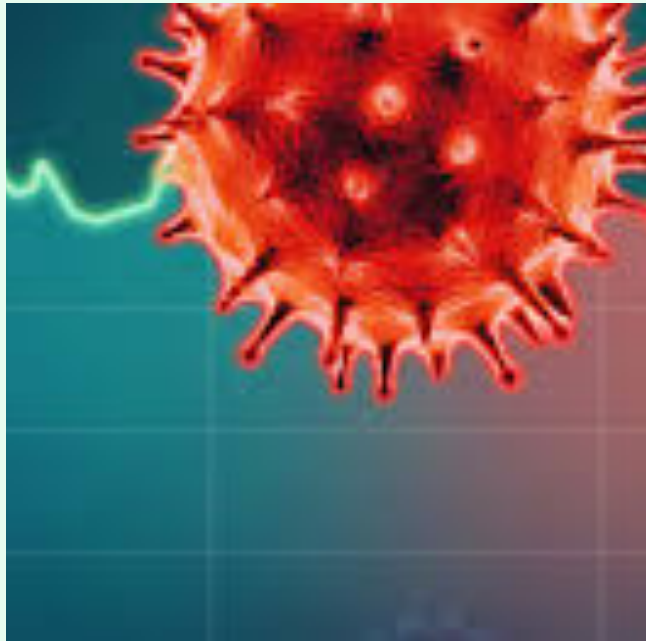
Michael Linden

Key Lessons and Path Forward

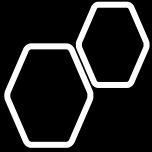
Mike Konczal

Moderated Q&A

**Felicia Wong
President and CEO
Roosevelt Institute**



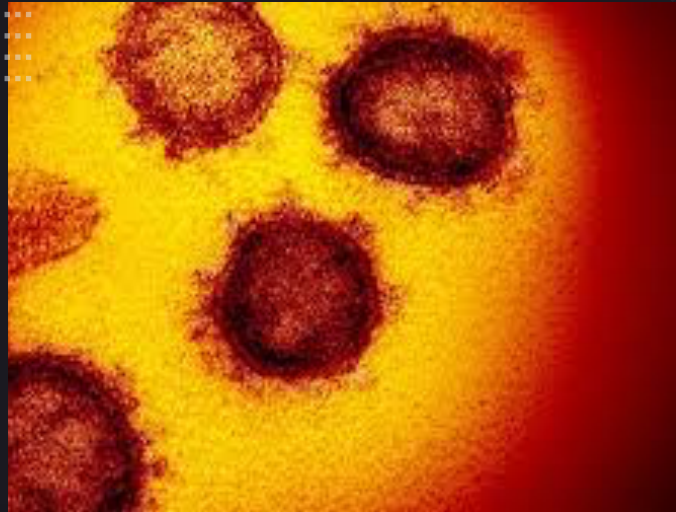
We are headed into a difficult economic moment, exacerbated by existing vulnerabilities. Steps we take now can prevent future harm.



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

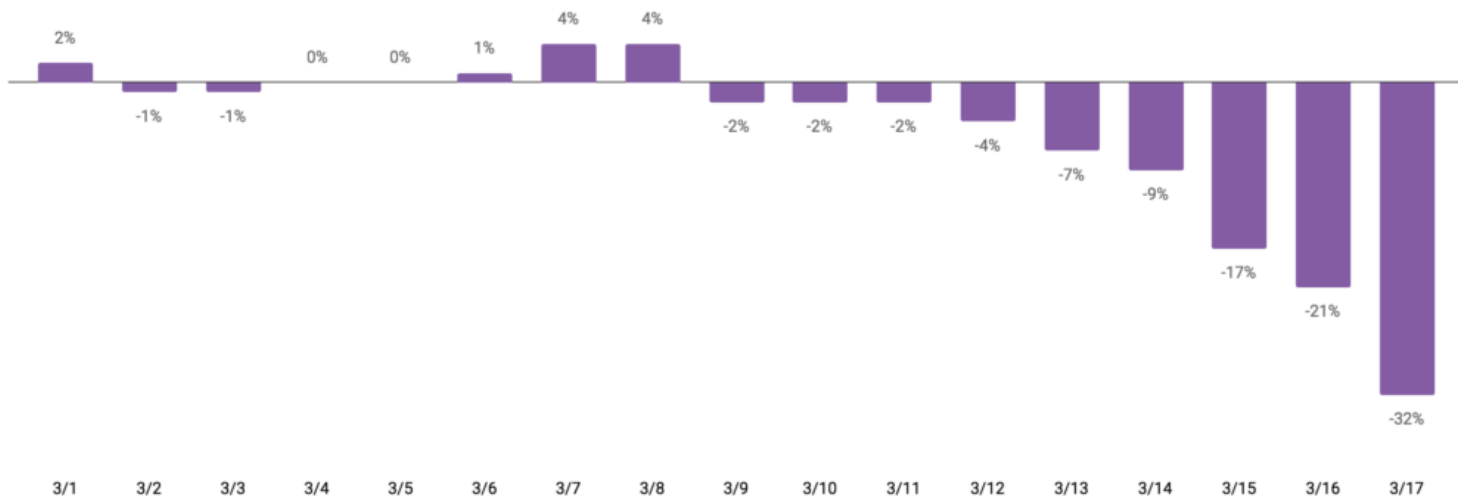
- Dramatic drop in consumer spending as people stay home and activity canceled
- Sick or laid-off workers have or are anticipating less money to spend

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

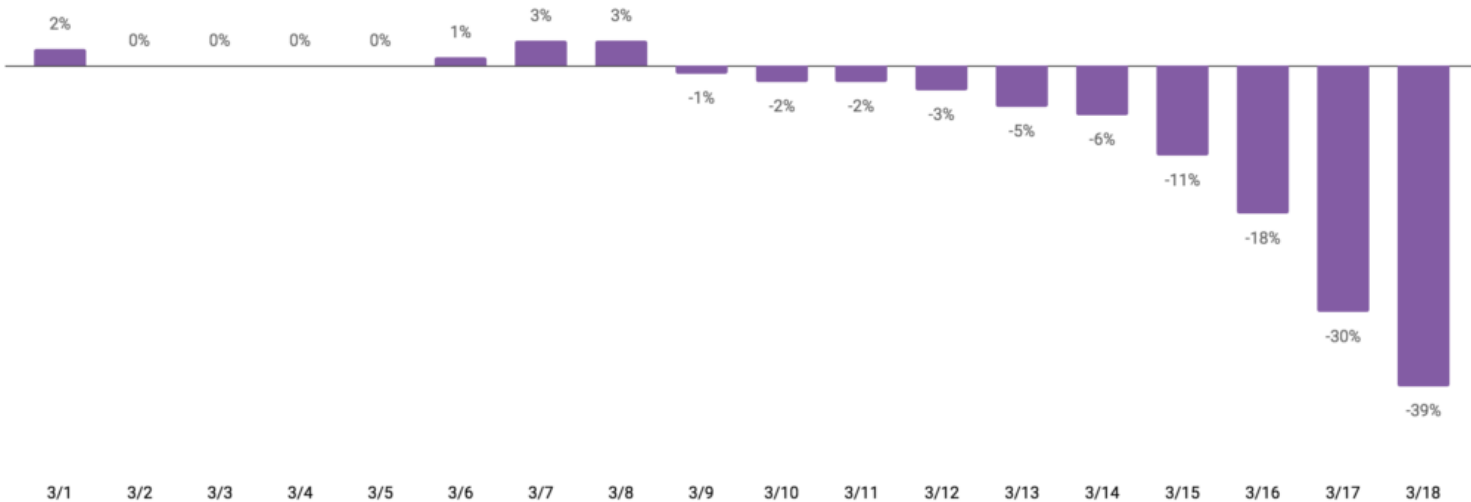
PERCENTAGE CHANGE IN TOTAL HOURS WORKED BY HOURLY EMPLOYEES IN THE US
Compared to median hours worked on same weekdays in January



Source: Real Time Covid-19 Data, <https://joinhomebase.com/blog/real-time-covid-19-data/>.

Fewer Employees Were Going to Work, Even Before Forced Closures

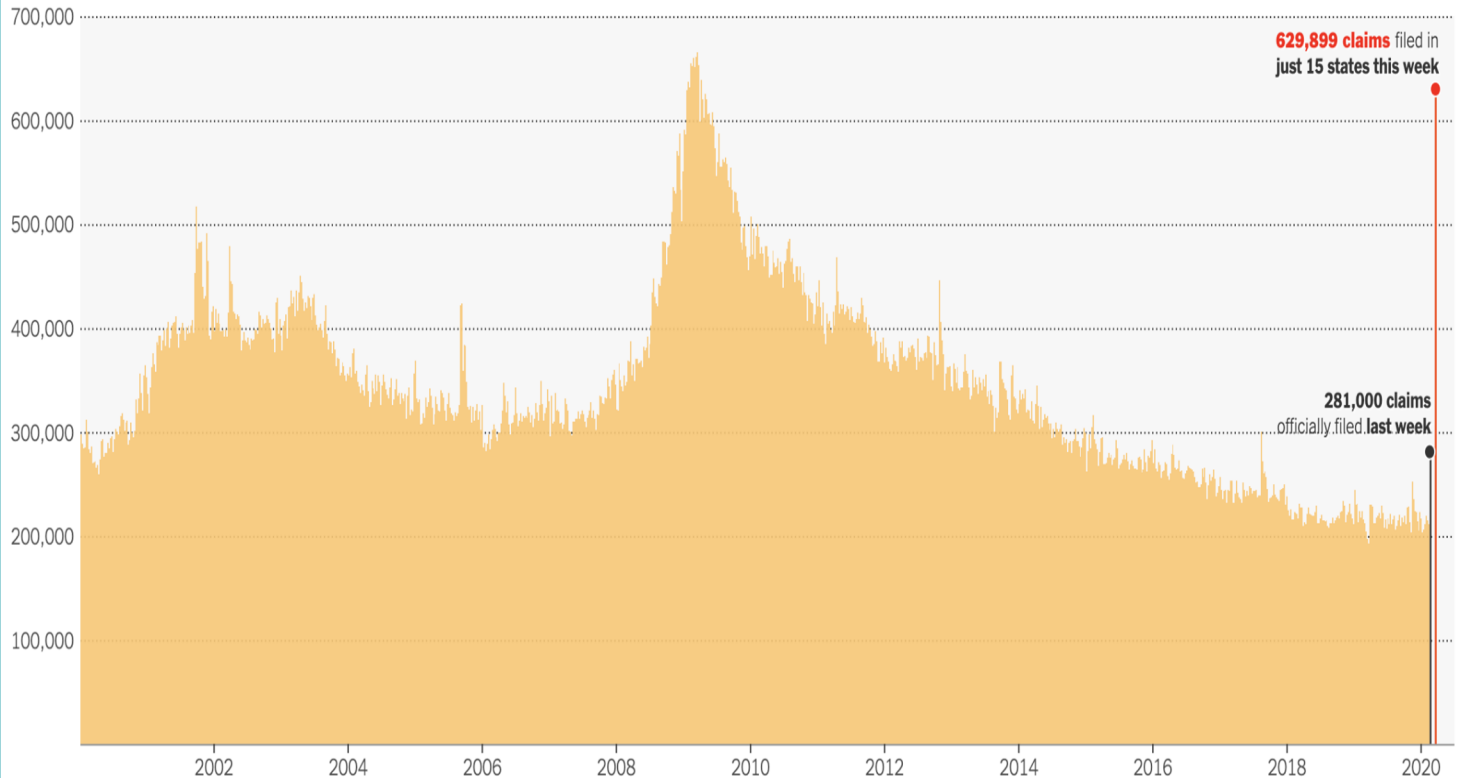
PERCENTAGE CHANGE IN NUMBER OF HOURLY EMPLOYEES GOING TO WORK IN THE US
Compared to median attendance on same weekdays in January



Source: Real Time Covid-19 Data, <https://joinhomebase.com/blog/real-time-covid-19-data/>.

A Staggering Rise in Unemployment Claims in One Week

Nationwide unemployment claims



629,899 claims filed in just 15 states this week

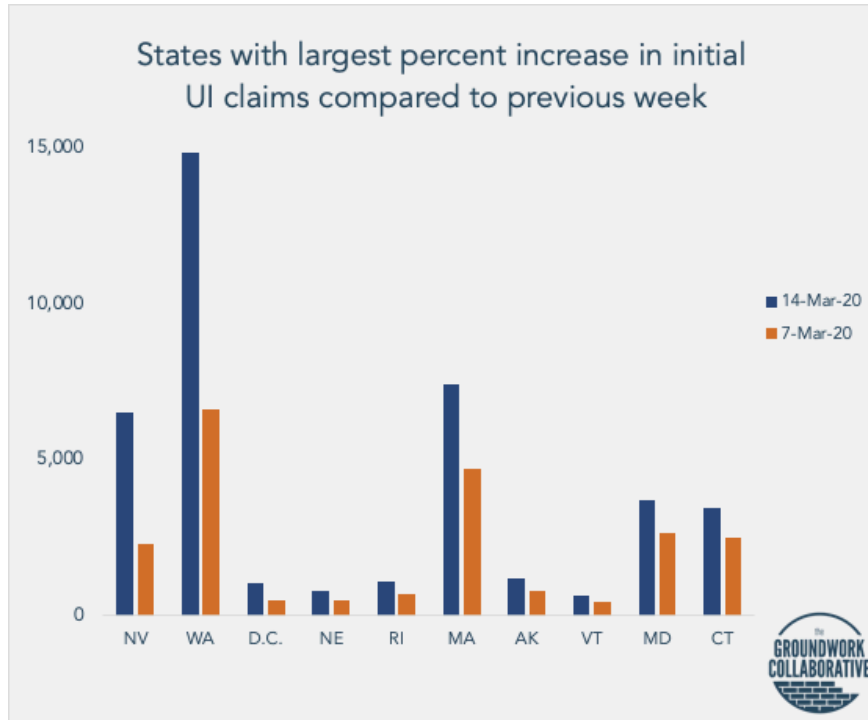
281,000 claims officially filed last week

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.

Source: *The New York Times*, March 19, 2020

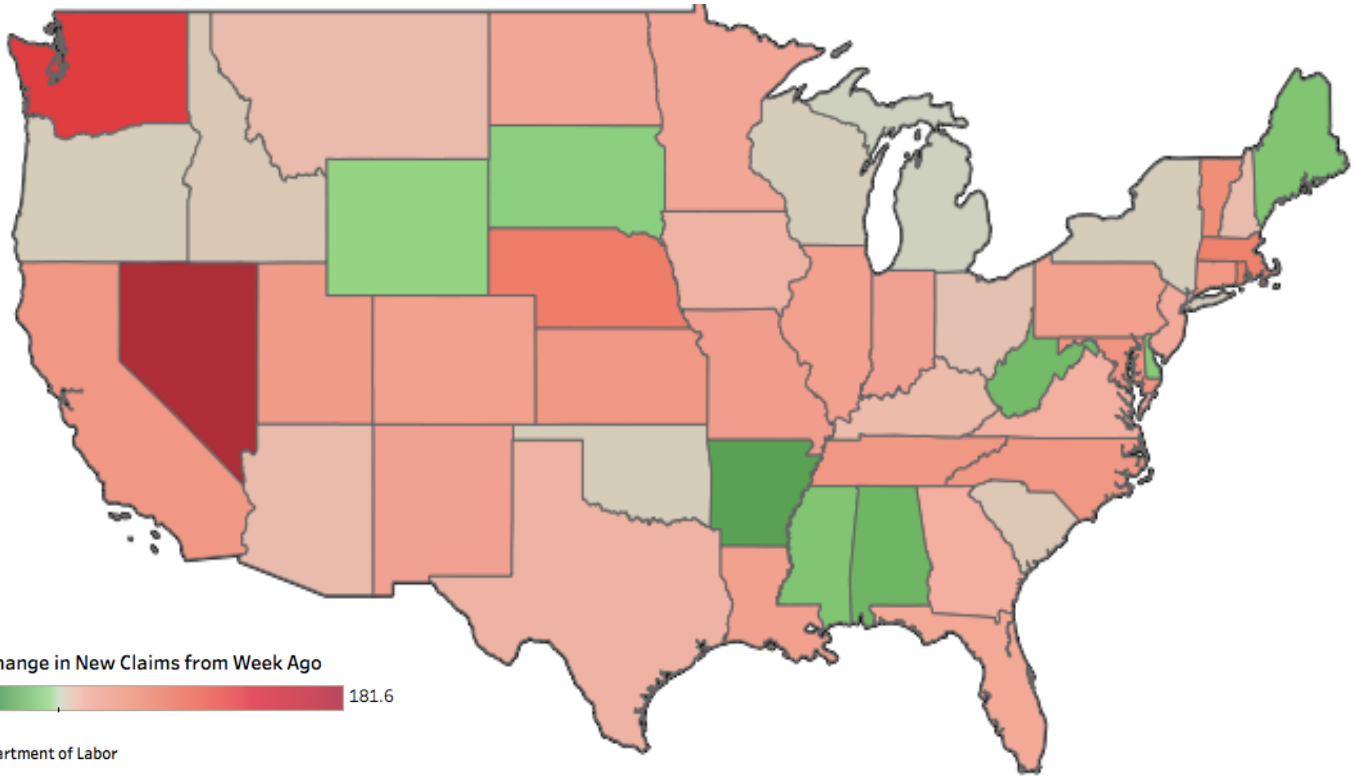
The Potential Magnitude of Economic Disruptions

Widespread Layoffs and Business Closures



Precipitous Rise in Unemployment

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

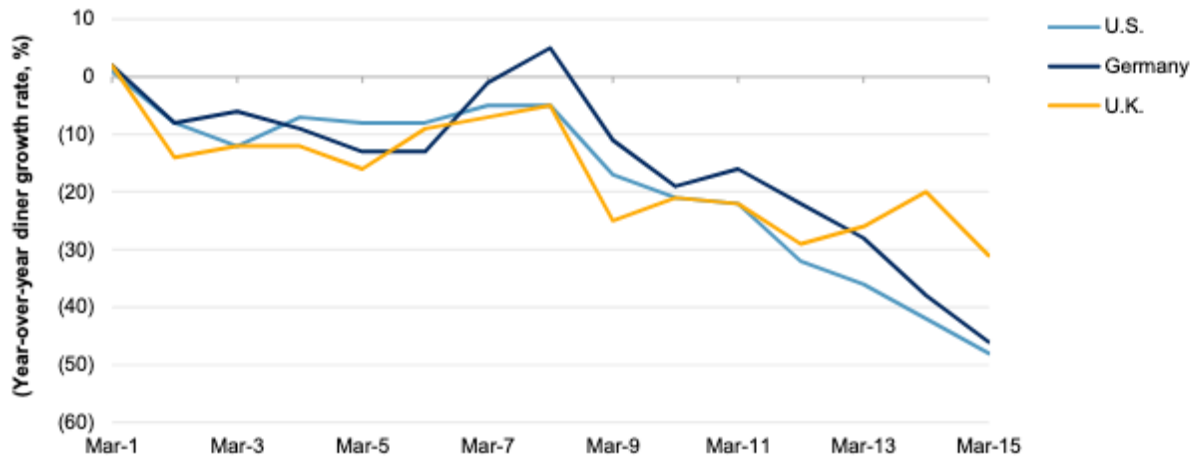


Percent Change in New Claims from Week Ago
-64.1 181.6

Source: Department of Labor

Some Service Sector Jobs Will Be Particularly Hard Hit

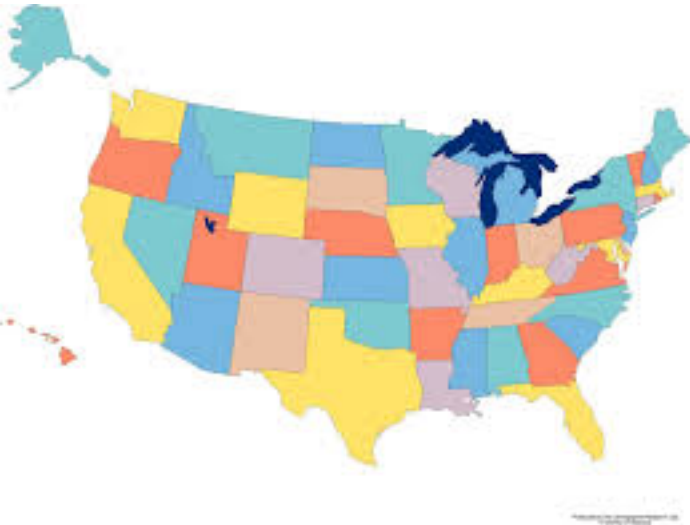
Selected Countries' Restaurant Performance



Source: Google.

Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

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

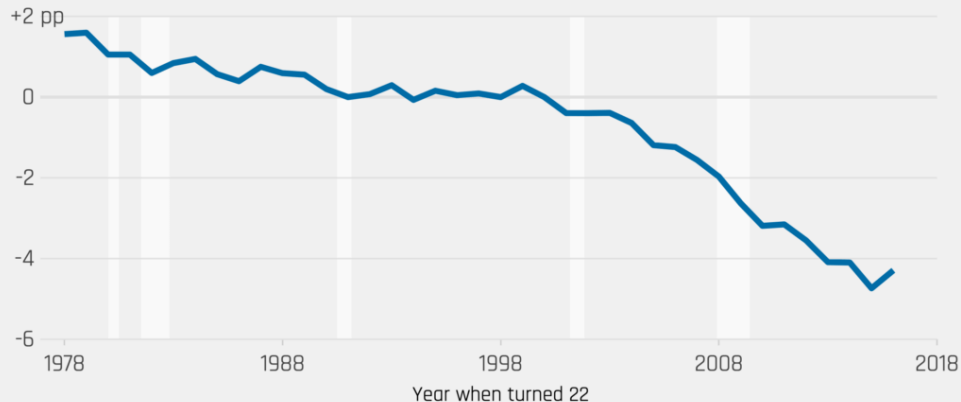
**Recession Is Expected.
Key Question: How Deep and
For How Long?**



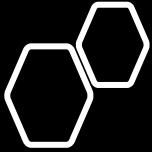
Recessions Have Long Term Effects

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.



Source: Jesse Rothstein, "The Lost Generation? Scarring after the Great Recession" Working Paper [Goldman School of Public Policy, University of California, Berkeley, 2019], available at https://eml.berkeley.edu/~jrothst/workingpapers/rothstein_scarring_052019.pdf.



Michael Linden
Executive Director
Groundwork Collaborative

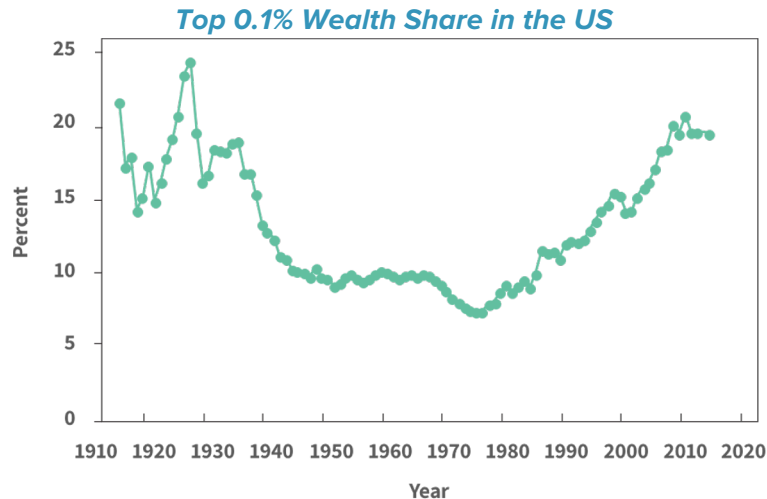
**Underlying Vulnerabilities in
the US Economy Have Left
Us Insufficiently Resilient**

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



Underlying Vulnerability: Weak “Jobless” Recovery

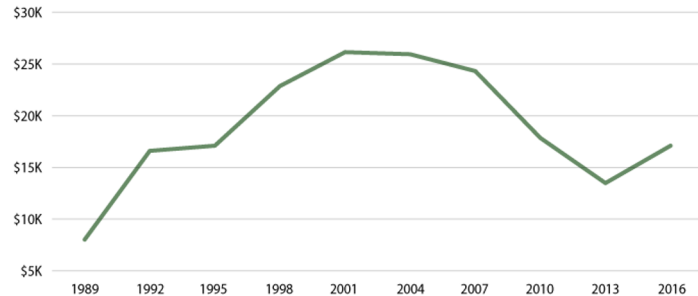
Economic Expansion Since the Great Recession Has Not Reached Everyone

- 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

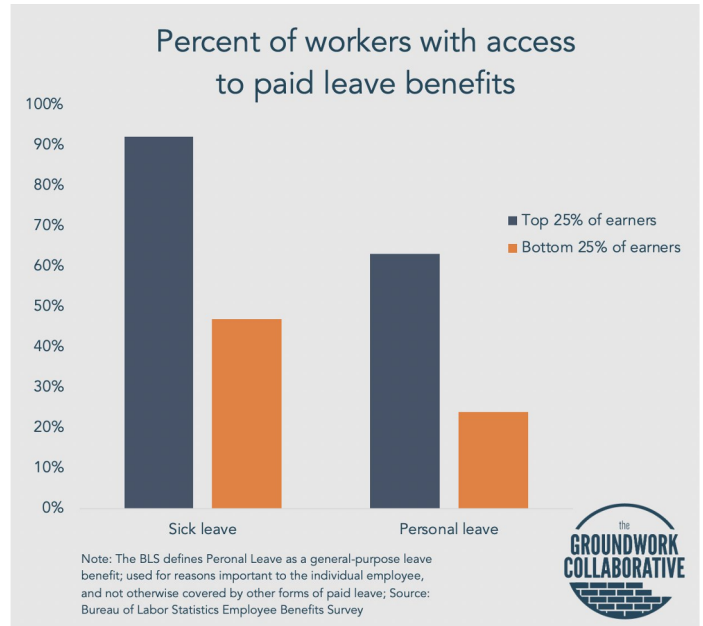
Median wealth among black or African American households from 1989 to 2016



Source: Authors' calculations based on data in survey years from 1989 to 2016 from Board of Governors of the Federal Reserve System, "Survey of Consumer Finances (SCF)," available at <https://www.federalreserve.gov/econres/scfindex.htm> (last accessed October 2017).

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

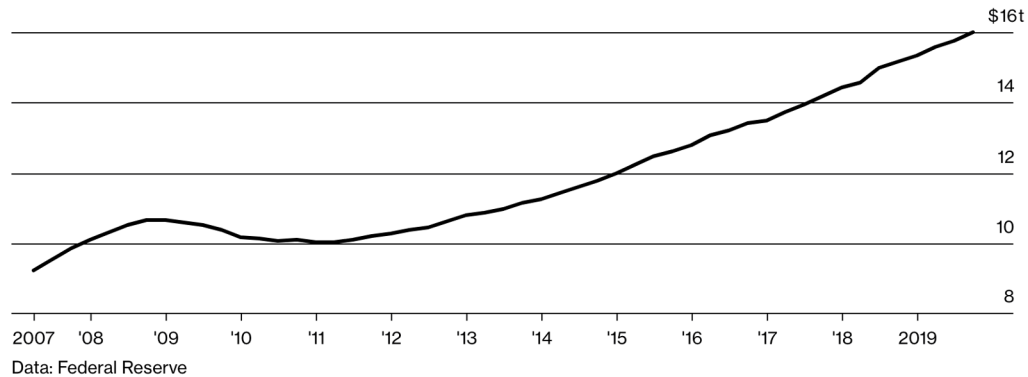


Underlying Vulnerability: Massive Levels of Corporate Debt

Slowdown in spending, potential for default

U.S. Business Debt Outstanding

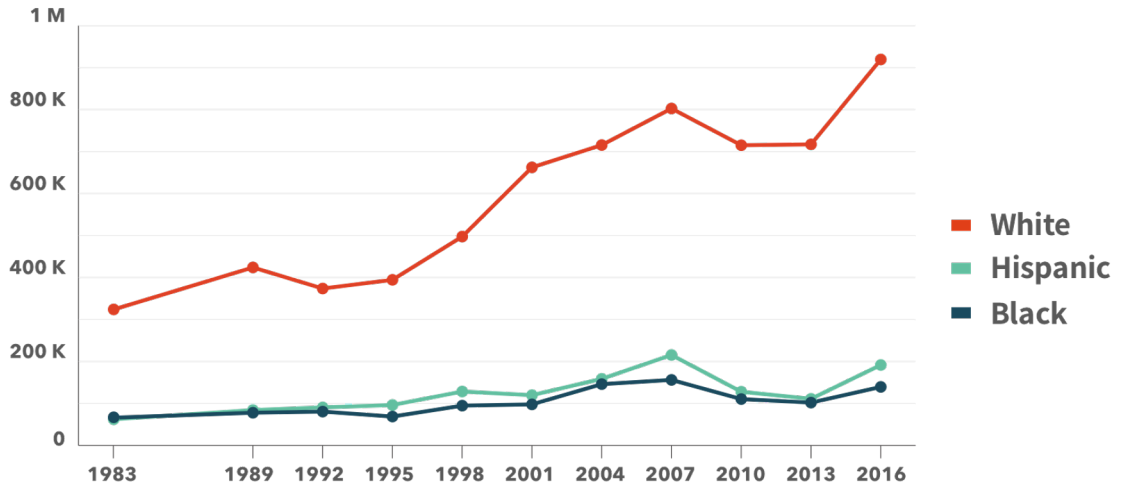
Firms took advantage of low rates



Source: *Bloomberg*, March 10, 2020

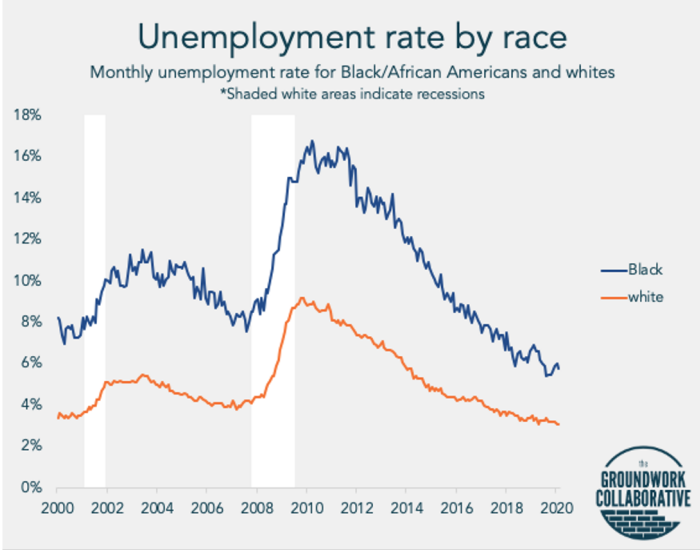
Underlying Vulnerability: Unique Precarity for Marginalized Communities

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

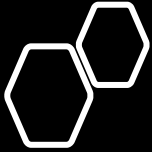


Source: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2016

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?