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Unusual aspects of this downturn, and what they may portend

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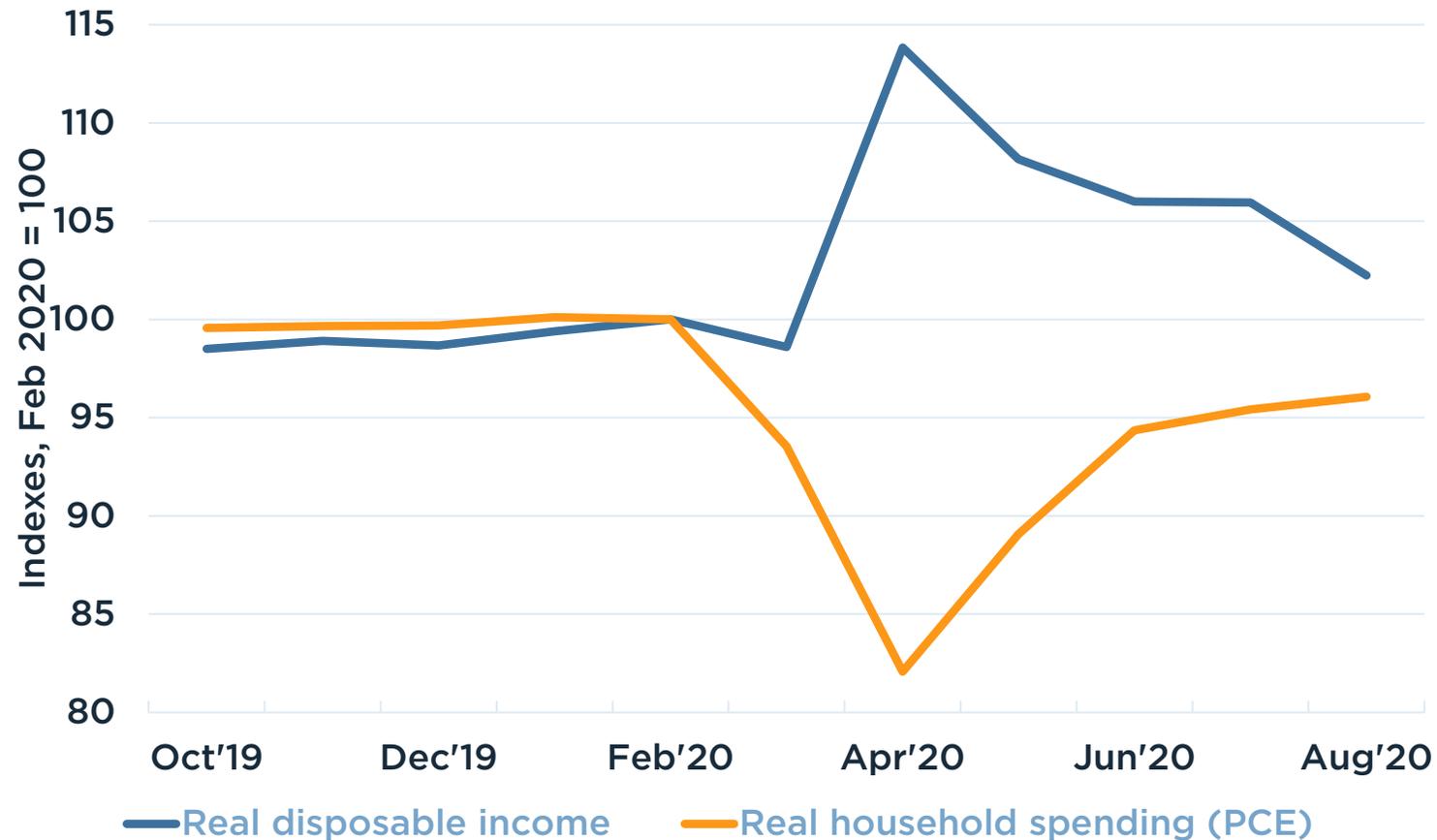
October 8, 2020

Why have fiscal negotiations stalled?

Two partial answers

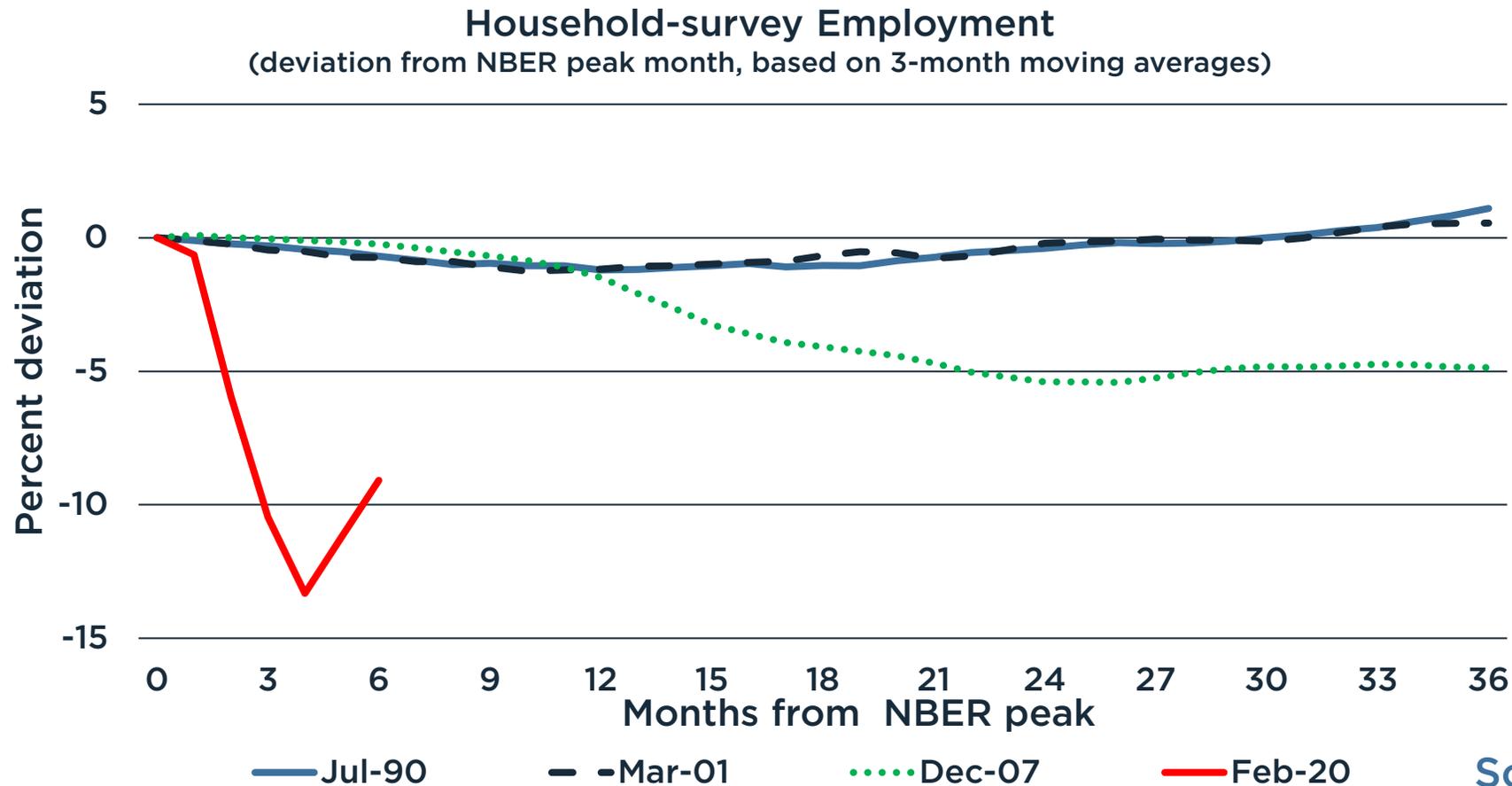
- a. The CARES Act worked, sort of
- b. The economic pain is concentrated; damage is being done, but not as much to policymakers

Partial answer #1: The CARES Act worked



In the aggregate, household income has been higher during the COVID period, even as employment, GDP, and household spending all collapsed.

Partial answer #2: The labor market collapse has been severe...

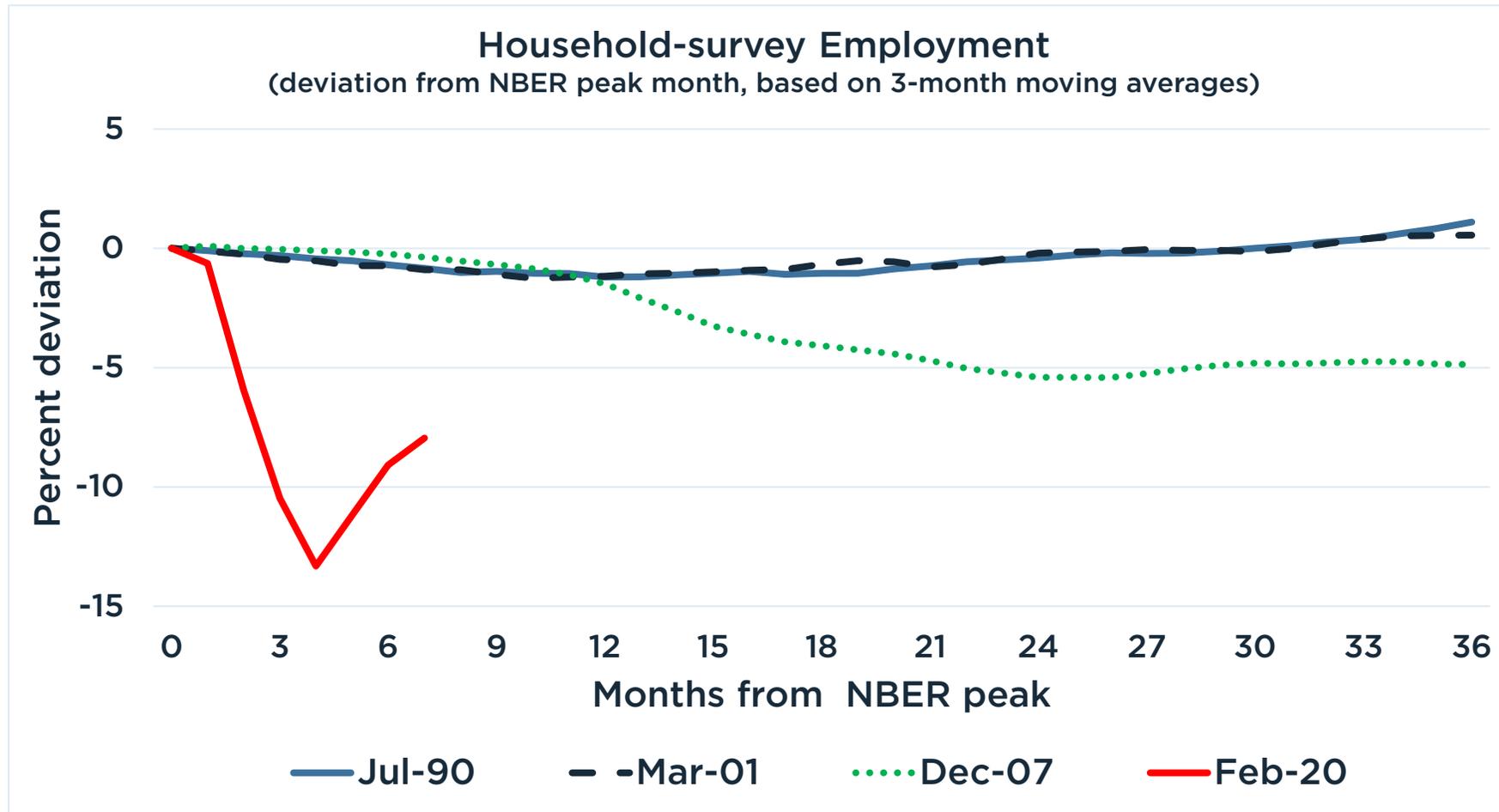


More than twice as many jobs were lost in the early months of this downturn as over the *whole* of the Great Recession.

Thus far, the rebound in employment has been sharper than in the previous three recessions, but employment losses remain very large.

Source: Household survey, BLS

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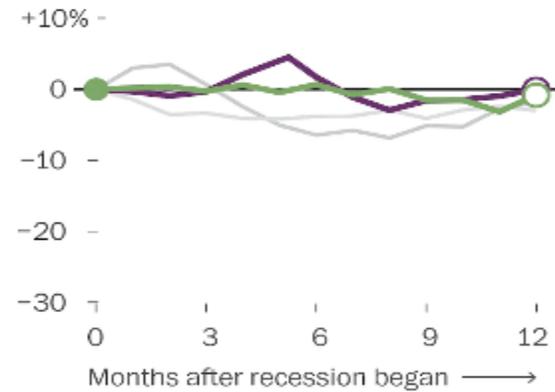
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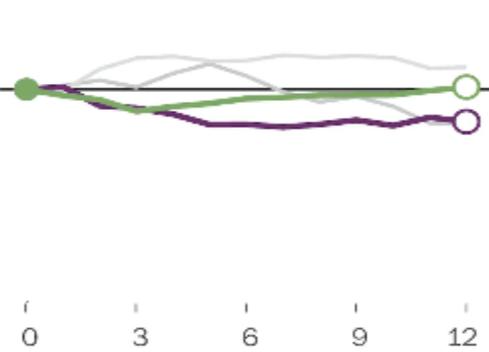
The coronavirus crisis is different

Job growth (or loss) since each recession began, based on weekly earnings

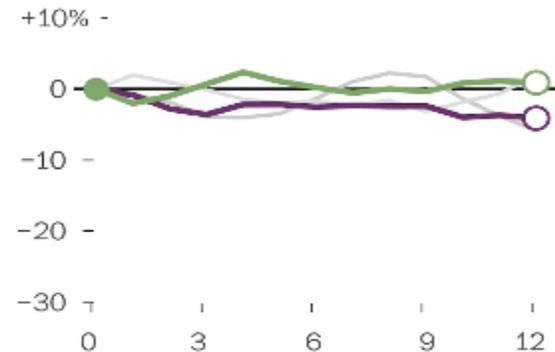
1990 recession



2001 recession



2008 recession



Coronavirus crisis



Notes: Based on a three-month average to show the trend in volatile data.

Source: Labor Department via IPUMS, with methodology assistance from Ernie Tedeschi of Evercore ISI

THE WASHINGTON POST

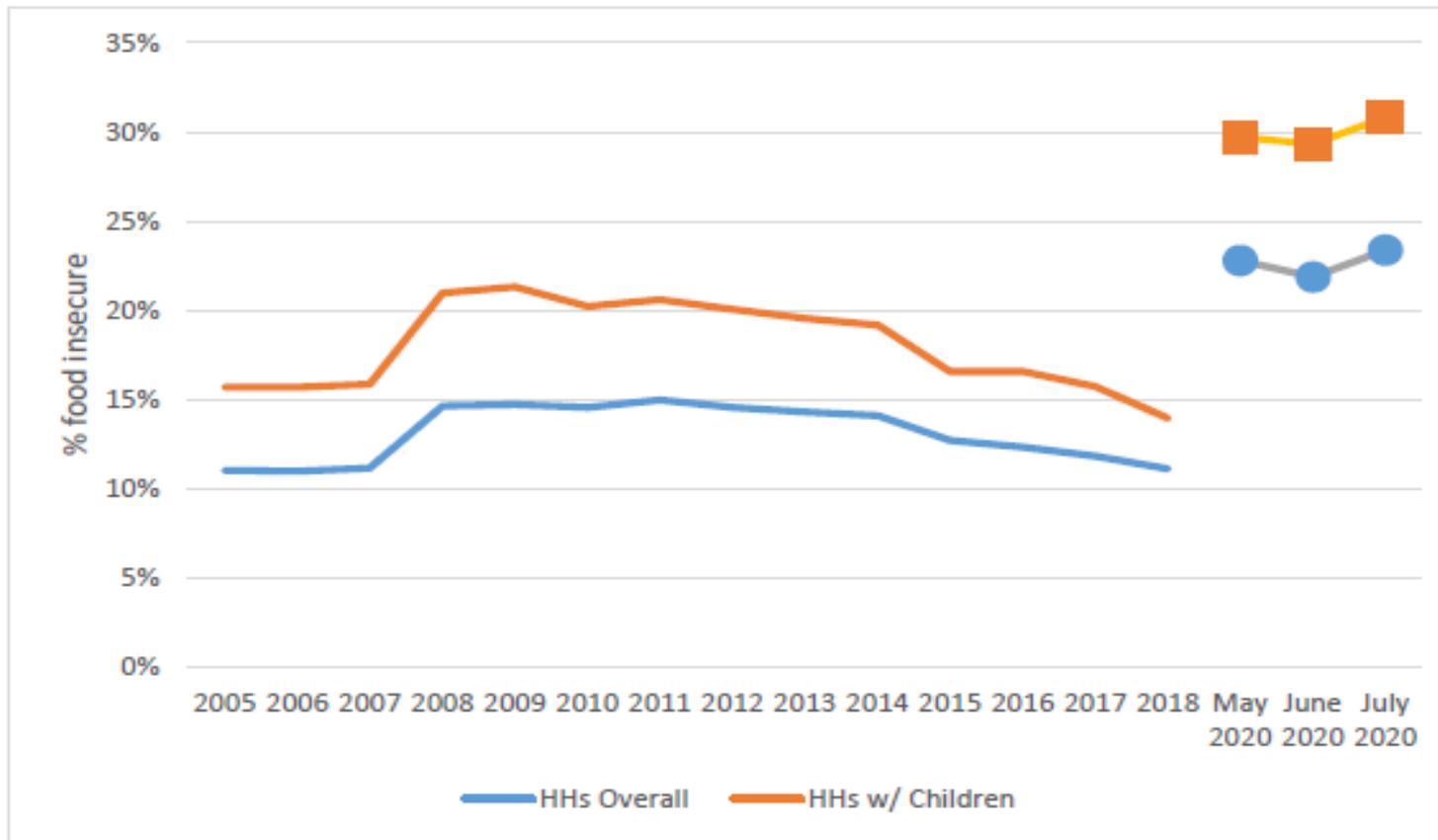
... and the pain has been concentrated

The number of jobs at the top of the ladder has fully recovered; the number of jobs in the lowest-earning quarter of the distribution is still down by more than 20 percent.

Figure used by permission.

Partial answer #2: The pain has been concentrated

Panel A. Percent of Households Reporting Food Insecurity

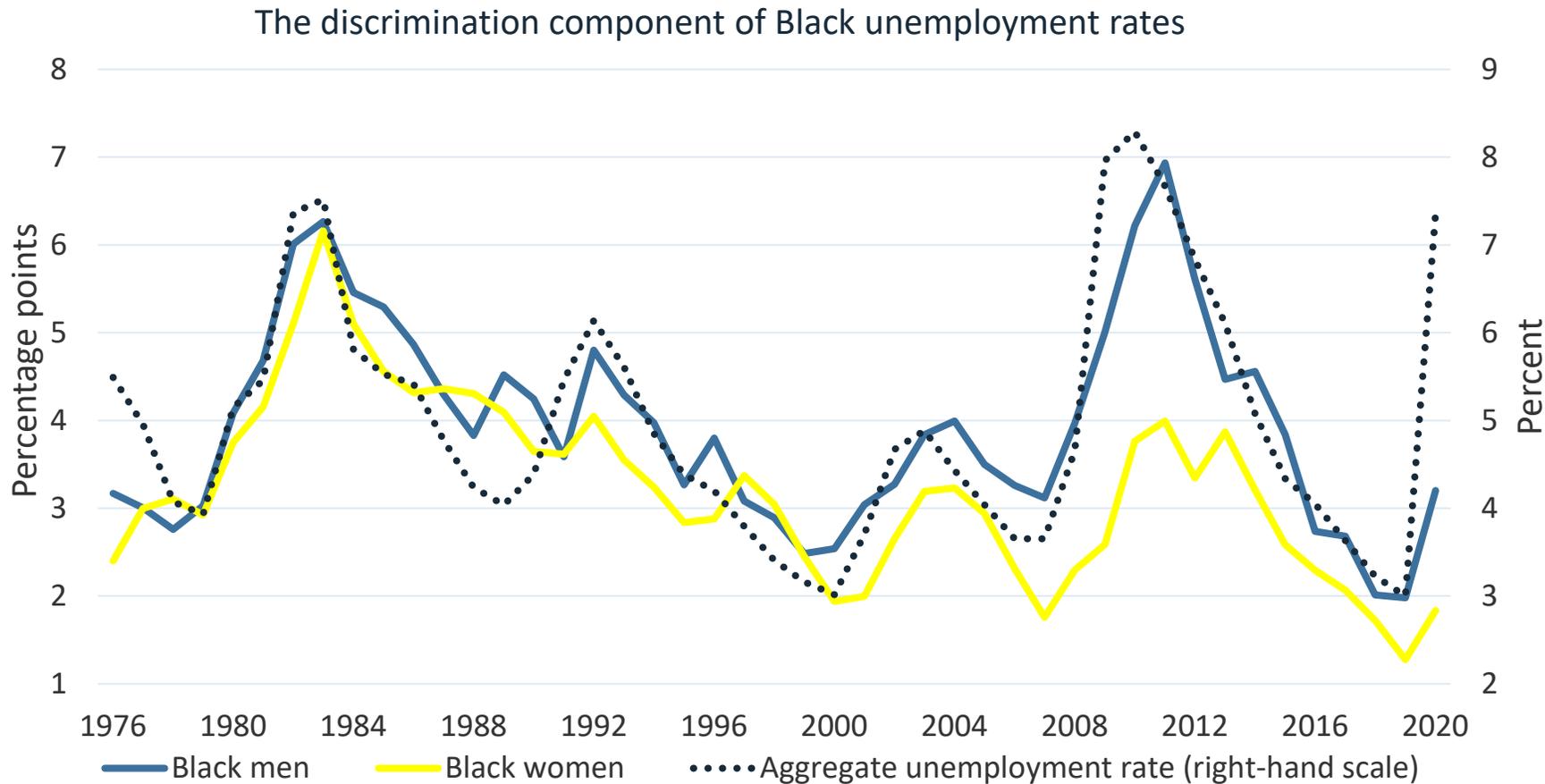


Food insecurity through the summer was *much* higher than during the Great Recession.

--more than a fifth of all households
--roughly a third of households with with children.

Source: Bitler, Hoynes, and Schanzenbach, "The Social Safety Net in the Wake of COVID-19." NBER Working Paper #27796, September 2020. Used by permission.

Partial answer #2: The pain has been concentrated



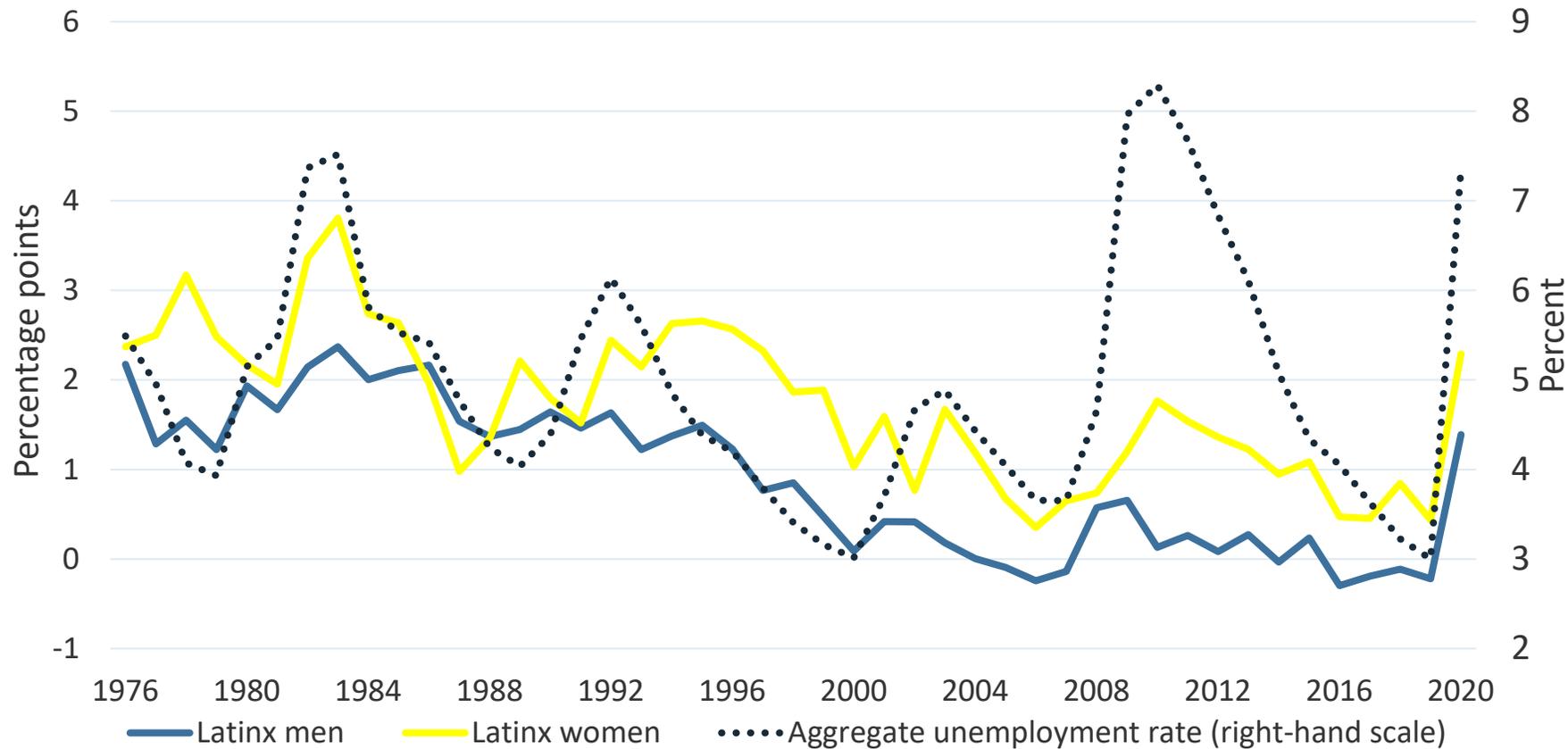
The portion of Black unemployment rates that presumptively reflects discrimination had descended to historic lows on the eve of the COVID collapse.

Since then, this component has increased again.

At the same time, because they are overrepresented in “essential” occupations, Blacks probably have taken on more health risk.

Partial answer #2: The pain has been concentrated

The discrimination component of Latinx unemployment rates



Latinx workers have experienced an even larger larger reemergence this year of the component that presumptively reflects discrimination.

Implications for the outlook

- In the near term:
 - The recovery already had lost momentum this summer
 - Delay in enacting a next fiscal package will slow the recovery further
 - ... a dangerous move, when the Fed has expended most of its ammunition
- In the longer term:
 - Effects on trend economic growth may be subtle, hard to detect
 - Not much evidence, historically, of labor-market scarring from past recessions
 - We don't know what the long-term effects will be of:
 - Concentrated hunger
 - Disparate health impacts
 - Dramatically different access to educational resources