

John Cassidy, “A Grim Portrait of the Coronavirus Economy”
The New Yorker, May 9, 2020

It was the kind of scene that has become startlingly familiar across the country during the coronavirus pandemic: news footage on Friday from the Westfield Sunrise Mall, in the Long Island town of Massapequa, showed long lines of people, in cars and on foot, waiting to pick up free parcels of milk, protein, fruit, and vegetables. With funding from New York State, a local relief agency called Island Harvest Food Bank was providing enough provisions to feed about three thousand families.

Three months ago, who could have dreamed that so many people would be lining up for free food in a middle-class town like Massapequa, which, in times gone by, was briefly famous as the home of Joey Buttafuoco, the chunky body-shop owner who got embroiled in a tabloid sex scandal? In today’s coronavirus economy, however, food banks are rapidly becoming ubiquitous. As the volunteers at the mall were handing out bags, the Labor Department released its jobs report for April, which showed that 20.5 million people were laid off or furloughed during the month, and the unemployment rate rose to 14.7, the highest rate since the nineteen-thirties.

In a post about the report, I pointed out that this alarming figure actually underestimates the real unemployment rate. Because of a glitch in the survey that the Bureau of Labor Statistics uses to calculate the jobless rate, many people who had been laid off or furloughed were nonetheless still counted as employed. And millions more workers have filed jobless claims in the first week of May. Taking this into account, I wrote, “the real jobless rate is probably somewhere in the low twenties, which would put it on a par with the peak rates seen during the Great Depression.”

An analysis from the Center on Budget and Policy Priorities suggests that “a majority of the 20 million private-sector jobs lost since February come from the lowest-paid industries.” Many of the businesses that the pandemic has hit the hardest—such as retailers, restaurants, and hotels—are ones that pay below-average wages, and whose employees tend to have few, if any, financial reserves. In a heart-rending article in the Washington Post, Heather Long cited a Federal Reserve study which warned that nearly forty per cent of Americans would have difficulty coming up with four hundred dollars to cover an emergency. How are

these people supposed to deal with a situation in which all of their income has suddenly disappeared?

Many should be eligible for unemployment benefits, which Congress expanded in the big stimulus package it passed last month. But many states are still struggling to deal with the huge influx of claims—3.2 million in the last week alone, and a staggering 33.5 million over the past seven weeks. Because of all the delays, a large but unknown number of the jobless still haven't received benefits.

These people include many gig workers—full-time workers who are classified as self-employed—who are now supposed to be eligible for benefits. In many places, however, they are waiting to get them. “States have been struggling to figure out how to calculate weekly benefit levels for these self-employed workers, whose wage information may be contained on multiple forms and is harder to verify,” Politico reported. In California, some Uber and Lyft drivers discovered that the state was calculating their weekly benefits as zero, the article added, “because their companies aren't sharing payroll information with the state unemployment agency.”

All in all, the coronavirus shock “is an epic reversal of fortune for those at the bottom of the income ladder,” Greg Ip, a columnist for the Wall Street Journal, noted in Saturday's paper. As the unemployment rate fell to very low levels in recent years, and employers were forced to compete for workers, these workers finally enjoyed some modest gains in wages and income. In many cases, these gains are now being wiped out, and the future of many low-wage workers looks grim—not merely because of the immediate shutdowns but also because of the threat from robots that “won't infect customers and other workers,” Ip noted.

It is a bleak picture all round, but what are its political implications? In terms of economic policy, the answer should be pretty clear. “Congress needs to continue providing relief to workers and their families across the country,” Elise Gould, a senior economist at the Economic Policy Institute, said in an analysis of the jobs report. “They need to extend unemployment until the labor market has sufficiently recovered and provide a huge amount of aid to state and local governments.”

Democrats in Congress are pressing to include these measures in a new emergency spending bill, but on Friday the Trump Administration indicated that it was in no hurry to move in this direction, despite the dreadful jobs report.

Larry Kudlow, the head of the National Economic Council, said that the Administration had “kind of paused” negotiations with the Democrats about another emergency-spending bill. Trump confirmed Kudlow’s message. “We’re in no rush,” he told reporters. “The Democrats have to do what they have to do. . . . I can’t say that we’re in a rush.” Evidently, the President believes the tentative reopening of businesses that is taking place across the country will provide a rapid cure to the disease of mass unemployment, despite warnings to the contrary from many economists and business leaders. Either that, or he and his advisers have completely lost touch with reality.