Statement of William E. Spriggs

"The Urgency of Now to Speed the Recovery"

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*"More than a Shot in the Arm: The Need for Additional COVID-19 Stimulus"*

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Thank you, Chair Maxine Waters and Ranking Member Patrick McHenry, for this invitation to give testimony before your committee today on the issue of our nation's crisis. I am happy to offer this testimony on behalf of the AFL-CIO, America's house of labor, representing the working people of the United States; and based on my expertise as a professor in Howard University's Department of Economics.

My testimony today will discuss the immediate challenge our nation faces of a severely damaged labor market and a need to conduct an all-out coordinated federal, state and local government fight to tame the COVID-19 virus. We will need to have in place a full fiscal response to coordinate with current monetary policy to ensure our economy can emerge with a robust and sustainable growth path by addressing inequality. That means we need policies to address the damage of the virus to economic activity, ensure an all-out effort to reduce the incidence of the virus and to regain American leadership globally to heal the global economy as the United States did at the end of World War II.

Despite improvement since April 2020 when our nation lost the greatest number of payroll positions since World War II, through December, we are still down over 9.8 million payroll positions since February 2020. In March Congress reacted rapidly to pass several key economic supports. The efficacy of those policies began to show weakening in waning job gains since July, after key provisions like the $600 in additional weekly unemployment compensation benefits phased out. So, in December, we were again losing jobs. Today, our labor market is missing almost 1.8 million more jobs from its peak, than where we stood at the depth of the Great Recession in September 2010 compared to the labor market's peak in January 2008.

Despite Congressional efforts to put substantial sums into the economy in the second quarter of last year to make up for lost jobs and slower business, and to help devise a vaccine, in the fourth quarter of last year, the economy grew at a significantly slower rate than the third quarter and we begin this year with an economy that is smaller than it was in the second quarter of 2018. This is a dire situation.

Our situation is complicated, because our job losses stem from a failure to control the spread of the coronavirus. Individuals living in high income areas have drastically reduced their consumption of services, especially personal services, restaurant and brick-and-mortar retail consumption, in response to the prevalence of the coronavirus, not in response to health orders to limit business activity. And, this is a vital portion of consumption that is shrinking our economy. Congress acted to help low-income households keep up consumption, preventing the loss of service sector jobs from exacerbating the situation.[1]

To tackle the source of our economy's woes, we need a coordinated effort by the federal government with state and local government partners. But state and local government employment levels are depleting. Through December we had 373,000 fewer state government workers and a little more than 1.0 million fewer local government workers than we had in February. We cannot bring all the public resources to bear on this crucial fight with so many fewer public sector workers.

To get ahead of the rapid spread of the virus, and to respond to the mutation of the virus, all possible resources need to deploy to vaccinate as many Americans as quickly as possible. Congressional action in December failed to address the collapsing state and local government workforce. Given the speed at which we must act to control the virus before further mutations potentially complicate our efforts, it is hard to conceive spending too much. Our current over-reliance on computers and the internet to set up access to the vaccine is totally inadequate to the task before us. Too many people who must be vaccinated simply do not have the technology to be reached using the internet. We cannot afford, at this time, to be penny-wise but pound fullish.

Because Congress acted quickly in the second quarter of 2020, our nation ended 2020 in better shape than had nothing been done. Incomes and consumption of low-income households

[1] (R. Chetty, J. N. Friedman, et al. 2020)

remained as stable as they did, because of support in the CARES Act and the Families First Coronavirus Response Act.[2] But delays in state's being able to implement provisions of the unemployment insurance provisions and the predominance of low-wage workers among those claiming unemployment benefits, many disparities happened within lower income households about the timing, amount and access to unemployment relief. That created racial and gender disparities in who got unemployment benefits, with African Americans and women being less likely to get benefits.

Further disparities in working age people who caught the virus or died from the virus created racial disparities in those who lost income or time from work. An estimate from California, looking at deaths in excess of underlying trends among the working age population, found Latino deaths were 36 percent higher, Black deaths were 28 percent higher and for Asian Americans deaths were 18 percent higher from March to October last year. Those patterns followed the occupation concentration of those workers, where exposure rates to the virus were high: for Latinos, there were 59 percent deaths in excess of trend for food and agricultural workers; for Blacks there were 36 percent deaths in excess of trend among retail workers; and, for Asian Americans there were 40 percent deaths in excess of trend among healthcare workers.[3]

There is a huge reservoir of benefits Congress has yet to tap, given how much our economy has saved from keeping the death toll being even higher. Given the huge numbers of Americans killed by the virus, extraordinary steps and policies are in order. Studies show, for instance, the huge benefits social distancing has made in containing the virus, limiting hospitalizations and deaths.[4] An early study done at the beginning of March estimated a value of $8 trillion saved because of the projected lives saved through to October by practicing social distancing from March through May or June.[5] These clear benefits mean we have large latitude in implementing economic policies to mitigate the costs of fighting this virus, and still come out ahead as a society. And, we have the room to properly account for and address the racial and gender inequalities that are becoming apparent, and that will slow the recovery if not corrected.

[2] (R. Chetty, J. N. Friedman, et al. 2020) (Farrell, et al. 2020)
[3] (Chen, et al. 2021)
[4] (Matrajt and Leung 2020) (Flaxman, et al. 2020) (Hsiang, et al. 2020)
[5] (Greenstone and Nigam 2020)

## Why boosting Pandemic Unemployment Compensation to $400 and Pandemic Relief Payments to $1,400 and increasing the federal minimum wage are all important

### 1. Maintaining aggregate demand

The huge drop in aggregate payroll that hit the U.S. economy in March, April and May was helped when Congress sought the highest replacement rate for this unprecedented fall. And, because the impetus from the virus to order social distancing was a necessary policy choice, some policy certainty is needed by Americans about their future incomes. This is especially true as workers look at the worse labor market prospects ever recorded, despite a small recovery of some jobs in May.

Figure 1 shows the estimate from the Bureau of Economic Analysis of the loss in the personal income accounts from the drop in wages that took place in March. Ahead of

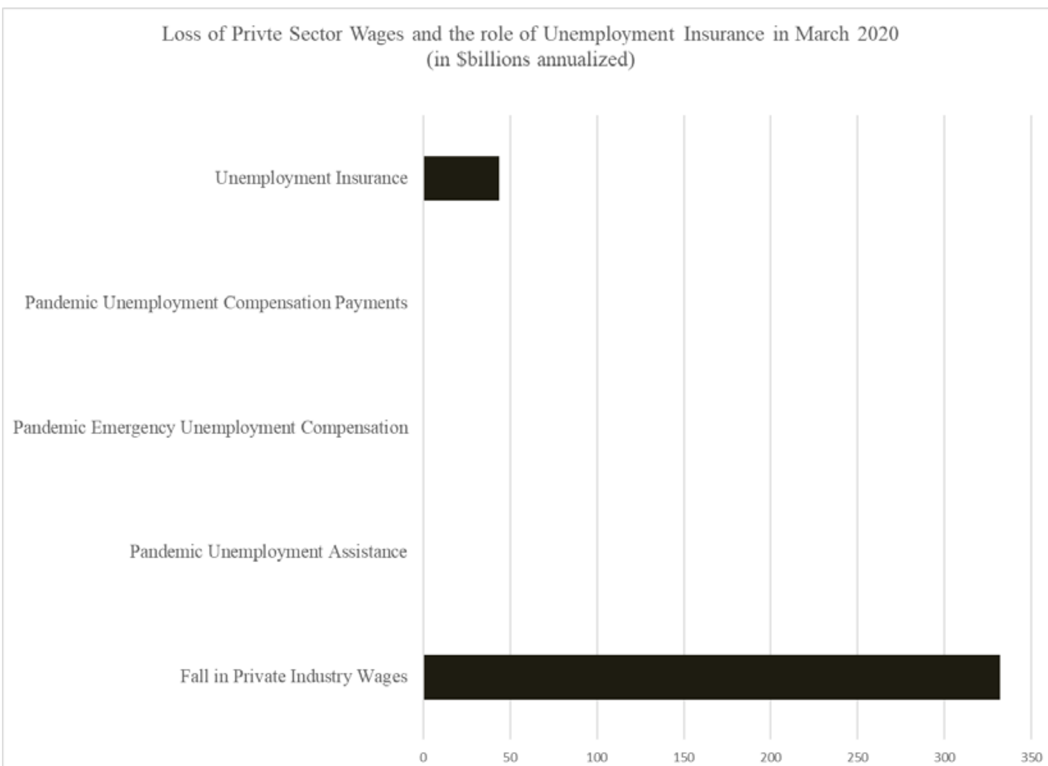


Figure 1

Congressional action to fix problems that may have hampered workers in the leisure and hospitality industries from accessing unemployment insurance benefits, that industry lost over 700,000 jobs. Private sector wages fell in March at an annualized rate of $332.2 billion. With only regular state unemployment insurance in place, and with record millions of people applying each week for benefits, unemployment insurance only made up $43.5 billion of that loss.

But, in April, with Pandemic Unemployment Assistance in place in most states, the unemployment insurance system did a far greater job of replacing lost wages, though the drop in wages was much greater than in March. By mitigating the loss of wages, the economy was able to stabilize. This was a much bigger impact on the part of unemployment insurance than from September 2008 to October 2009 when private sector wages fell during the Great Recession. So, this was vital to the economy. The biggest part of the Pandemic Unemployment aid came from the boost of $600 in the weekly unemployment checks of those who were able to get unemployment benefits. Because states were slow to implement the procedures for the Pandemic Unemployment Assistance and the Pandemic Emergency Unemployment Compensation, large numbers of workers did not get access to those benefits.

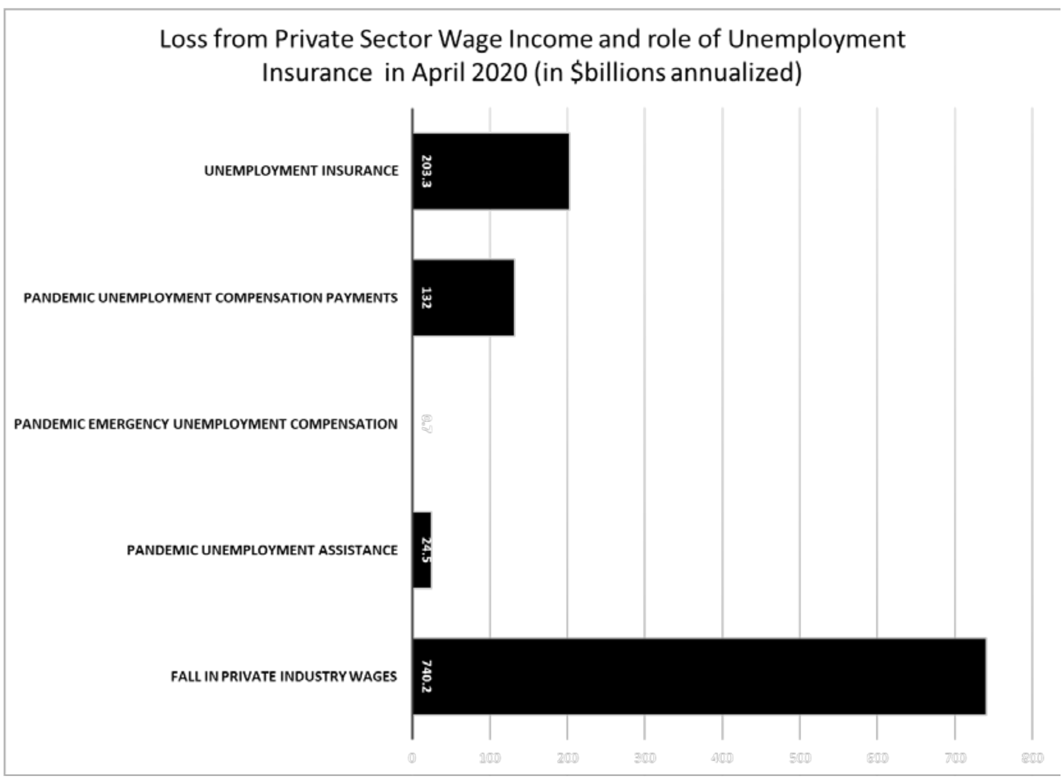


Figure 2

However imperfect the $600 Pandemic Unemployment Compensation Payment was, it must be viewed from its role as a macro-economic stabilizer.[6] And, in the context of the greatest

[6] (U.S. Bureau of Economic Analysis 2020)

recorded loss of jobs in American economic history, the policy response needs to be equally as large to offset such a dramatic income loss shock.

## 2. Maintaining Equity

A consideration raised by several observers, is a concern about the workers earning below average wages, because they believe the replacement rate for them from receiving $600 is too high. Of course, it is an odd concern to be worried that something helps those at the bottom too much, since normal equity issues are that income inequality in the United States has exploded because too much of the gains in income have gone to the top. So, normally, in discussions of equity, the question is what policies can be put in place so that incomes at the bottom can rise relative to those at the top.

A more careful analysis however, would explain the additional equity concerns brought about by the unusual policy decisions that had to be made to insure the safety of the nation, which is saving the American economy $8 trillion by saving lives. A reasonable attempt to differentiate those industries directly affected by social distancing orders, is that roughly 20 percent, or one-in-five workers were in those industries most highly affected. Workers in those industries tended to be younger, under age 25, and were more likely to be young women, and a higher share were Hispanic. These industries also tended to have a higher share of part-time workers, and single-parent households. The workers at greater risk of being in the affected industries were less likely to have a college degree. They were more likely to be in the bottom 60 percent of the family income distribution, living in families making less than $75,000. For those families in the poorest 20 percent of American families, about 46 percent, almost one-in-two, of households depend on all family earned income coming from a job in one of the most affected industries. And, among those families with a little more income, in the lower-middle income fifth, a little more than one-in-four families depends on all earned income coming from a job in one of the most affected industries. So, these workers are vulnerable workers. While the unemployment rate for the overall economy is staggering, the unemployment rate in April for the workers in the most affected industries was a towering 34.1 percent, which is above the levels we believe were seen during the Great Depression. For Black, Hispanic and for women workers in these industries, their unemployment rates in April were roughly 38 percent.[7]

An analysis of job search choices by workers, and the effect of the high unemployment insurance replacement rate on accepting a job offer must also include the likelihood a worker has of landing a job. If the chances of finding a job are otherwise astronomical, the worse chances any American worker has seen, then modelling the effect of the replacement rate of insurance benefits rates has to be adjusted. Further, a refined model would have workers factor in the experience of the Great Recession, which was that if their unemployment spell lasts too long, they are very unlikely to land another job. Given that these workers are younger, the prospect of waiting out the labor market and retiring is too remote. Further, as these workers are disproportionately from groups who routinely face discrimination, they are all too aware that a difficult labor market for other workers is going to be more arduous for them. So, a fair modelling of their situation would greatly discount the unemployment insurance replacement rate. Therefore, it was little surprise that in May, the labor force flow data revealed a dramatic reversal from the 17.5 million workers who went from employed in March to unemployed in April, to in May when 7.7 million workers went back from unemployed in April to being employed.[8] Most of the small advance in employment that took place was in the most affected industries. Clearly, these workers understand the dire position they are in, and choose work over being cast into the worse labor market any American has seen.

From an equity perspective, the shutdown of their industries, is far more akin to what is observed during plant closings. The economic research is clear. Workers who experience plant closures suffer permanent income loss.[9] It is unlikely that the almost 12 million workers who lost their jobs from February to April in the industries affected by social distancing policy will all find their way back to their previous employers. So large numbers of workers, who were already earning low wages, will likely suffer long scars from this policy choice. A different way to look at their replacement rate, is to look at the loss to their permanent incomes they are likely to suffer and how much is being replaced by unemployment insurance. To build a robust recovery, it is

[7] (Dey, et al. 2020)
[8] (U.S. Bureau of Labor Statistics 2020)
[9] (Couch and Placzek 2010)

necessary to build in that calculation because it will not be a quick return to work for these Americans.

Those who are worried about work disincentives should instead note that a disproportionate share of the workers who were negatively affected were women. And, if adequate funding does not flow to state and local governments very soon, there will be too much uncertainty around school openings. The result will be, with insufficient support, women will find it difficult to handle schools being partially closed and getting to work.

### 3. Racial equity

While Black workers were not as likely as Hispanic workers to be in the affected industries, those Black workers in the affected industries made Black family income as negatively affected as was the case for Hispanic families. So, while income losses were reported across all income ranges, because the losses were more severe among those families with incomes below $75,000, a higher share of Black and Hispanic families suffered income drops. Figure 3 shows this disparate outcome.

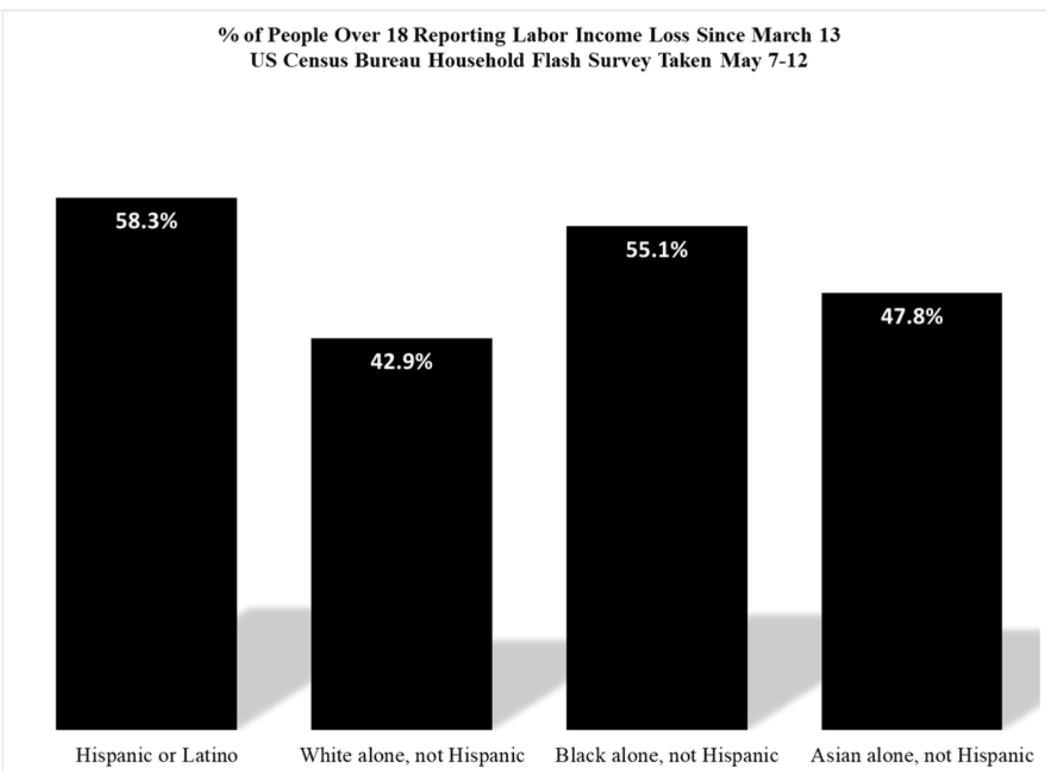


Figure 3

For Black families, the loss of income is compounded by the problem of living disproportionately in states that were the slowest to implement the Pandemic Unemployment Assistance benefits. In a normal economy, unemployed Black and Hispanic workers are less likely than White workers to receive unemployment benefits. Part of this is because of the higher share of Black workers who live in the South, and in those states with lower unemployment recipiency rates.[10] For the week ending May 23, about 35 percent of those receiving any unemployment benefits were receiving benefits because of the Pandemic Unemployment insurance programs of the CARES Act. Yet, there were still 9 states that were reporting zero PUA claims; including Arkansas, Florida, Kentucky, Georgia and West Virginia.[11] These failures among states with higher shares of Black workers, make the access to the program lower for Black families. Based on data from the Minneapolis Federal Reserve Bank's Opportunity & Inclusive Growth Institute's COVID survey,[12] Black workers show a distinct disadvantage in getting unemployment insurance benefits during this unemployment crisis. Figures 4 and 5 show this is true, despite unemployed Black workers applying at similar rates. And, the persistent issue of difficulty for women to access unemployment benefits also shows.

[10] (U.S. Bureau of Labor Statistics 2019)
[11] (U.S. Department of Labor. Employment & Training Administration 2020)
[12] Author's calculations with Nyanna Browne, using (Wozniak, Willey, et al. 2020)

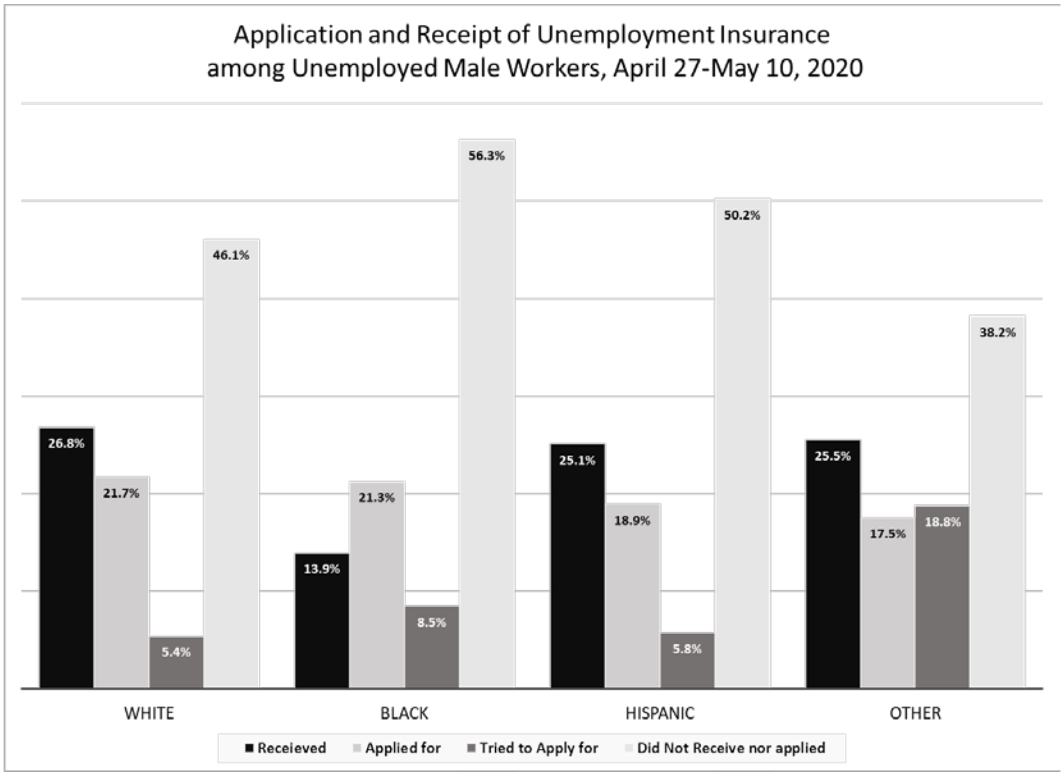


Figure 4

Similar to other research, the data show that workers' have had difficulty applying for the benefits, with a slightly higher share of difficulty for Black men, than others. This is also the case for women, shown in Figure 5. So, there were gaps in the time for Black workers and women to get the benefits that Congress intended for unemployed workers to receive.

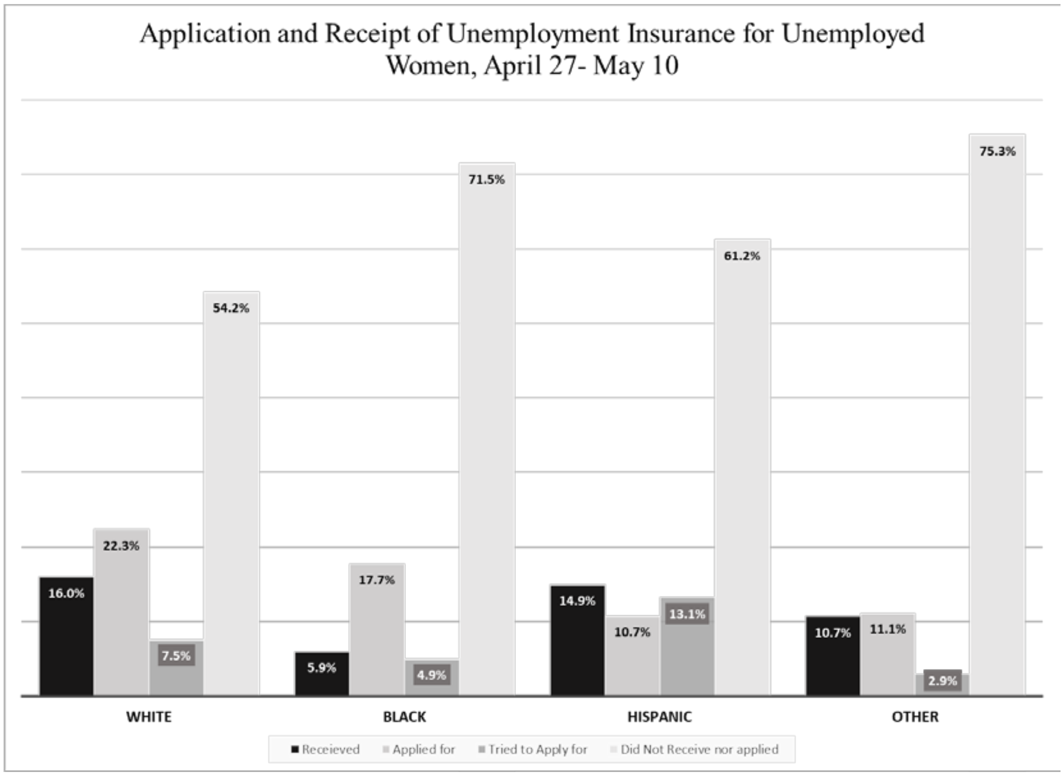


Figure 5

Black and Hispanic workers combine to be about 30 percent of the American workforce. Their plight from the loss of income is compounded because of their low levels of wealth and specifically their low levels of liquid wealth (assets that can easily and quickly be turned into cash). A study of Black and Hispanic households has found that a drop in income from the loss of a job leads to a 50 percent larger drop in consumption for Black households, and a 20 percent larger drop in consumption for Hispanic households for each dollar of income lost compared to White households.[13] Because of the lack of liquidity for this large segment of the workforce, job losses get magnified in the economy through larger reductions in consumption. So, disparate job losses in these communities have outsized outcomes on the macro-economy because they are now 30 percent of American workers.

Further, as Black and Hispanic families face greater housing vulnerability, losses of incomes can add stress on rental markets as arrears in rents can mount. Unemployment insurance, and the

[13] (Ganong, et al. 2020)

generosity of the benefits do help alleviate pressures on foreclosures.[14] And, for these two communities hit hard by foreclosures during the Great Recession this is important. We have no room for mounting bad debts in the banking sector, given issues of corporate and business debt already growing on the banks' books. Keeping the household sector as liquid as possible is the best way to avoid compounding what is, so far, a crisis in the real economy.

All this also makes boosting the pandemic relief payments by $1,400 essential. It will help those who have not received all the benefits intended by the expansion of unemployment benefits. And, it will make up for the months workers did not get their unemployment benefits augmented. That will be vital to keeping low-income households keeping their consumption up and their local economies stable. Lower income households have already absorbed the $600 payments they received in early January to make up for those drops.[15]

### 4. Exacerbating Labor Market Power Imbalances

There are two key issues at risk in thinking of the Pandemic Unemployment Compensation as a work deterrent beyond issues of equity. First, and primary, is a misguided belief that simply re-opening businesses will solve the current unemployment crisis. This is wrong because while about 12 million of the jobs lost from February to April likely trace to the closing businesses to achieve social distancing, that leaves more than 8 million jobs in other industries lost because our economy is super fragile because of its high level of inequality. As a result, aggregate demand collapses quickly. Some because of the wealth inequality, that makes the loss of jobs in the Black and Hispanic communities get magnified when they lose jobs. And, some because workers' wages have not been keeping up with productivity, and that gap always means that when the economy slows and workers cannot borrow, they cannot consume at a pace to keep aggregate demand high. The other 8 million jobs are roughly the size of the job loss from the Great Recession.

Simply re-opening restaurants and bars will not solve the underlying issue, which is finding an effective set of policies to contain and stop the virus from killing. Without an effective

[14] (Hsu, Matsa and Melzer 2018)
[15] (Chetty, Friedman and Stepner, Effects of January 2021 Stimulus Payments on Consumer Spending 2021)

strategy to fight the virus, increasing the number of workers who cannot shelter in place puts them, and their families at risk. This is not trivial.

For Black and Hispanic households, COVID is a disease of working age people. It is the result of the over-representation of Black and Hispanic workers among those who cannot tele-work and who are over represented in front line jobs exposed to the virus. There is scant evidence that shows disparities in pre-existing health conditions explains higher morbidity among Blacks in the United States.

The Center for Disease Control did a study of a convenience sample (choosing the first set of patients, rather than select them randomly) of 305 patients in 7 hospitals in metropolitan Atlanta and one community hospital in southern Georgi of patients over 18 with laboratory-confirmed cases of COVID-19, between March 1 and March 30 of this year. They found 83.2 percent of the patients were Black, though Black patients in the hospitals studied made up only 47 percent of all patients. And, they did find that 73.8 percent of the COVID positive cases did have conditions that are considered high risk for COVID patients. But, very importantly, they did not find significant differences between Black patients and others in incidences of diabetes, obesity, cardiovascular disease, or chronic lung diseases. Most importantly, the Black patients were not more likely to end up on invasive mechanical ventilation or to die. Blacks were over represented among the dead, because they were over represented among the COVID patients.[16]

The Centers for Disease Control and Prevention also looked at health care professionals to understand the incidence of COVID among them. Looking at data from February 12 to April 9 of this year, for data where they could identify health care occupations and race of the patient, they found 21 percent of the cases were of Black health care professionals. That number is out of proportion to the Black presence in the general work force, but among health care workers, Blacks are close to 20 per cent.[17] So, Black health care workers are not more likely to catch the disease than non-Black health professionals, but the over representation of Blacks in this front line occupation means a higher share of all Black workers would show up with the disease.

[16] (Gold, et al. 2020)
[17] (Team 2020)

Black workers are over-represented in a number of front-line occupations, including childcare and social services, health care, building and cleaning services, trucking, warehouse and postal services, public transit and grocery, convenience and drug stores. They work as essential workers, and in jobs that do not allow for tele-work. Hispanics are over represented among child care and social service workers, building and cleaning services, health care services and in grocery, convenience and drug stores.[18] Both are over represented among meat packing and animal slaughter.[19] Black and Hispanic workers are much less likely to have jobs where they can tele-work, and this disparity coupled with the occupations where they are over represented means a higher share are not sheltering in place and face exposure to the disease.[20]

The result is that when you look at the age distribution of hospitalizations for COVID-positive patients, the majority of Black and Hispanic patients are working age, while for whites, the majority (almost 65 percent) are over 65. Almost 47 percent of Hispanic patients are 18 to 49, and 55 percent of Black patients are 18 to 64. Figure 6 shows the age distributions by age and race.

[18] (Rho, Brown and Fremstad 2020)
[19] (Fremstad, Rho and Brown 2020)
[20] (Gould and Shierholz 2020)

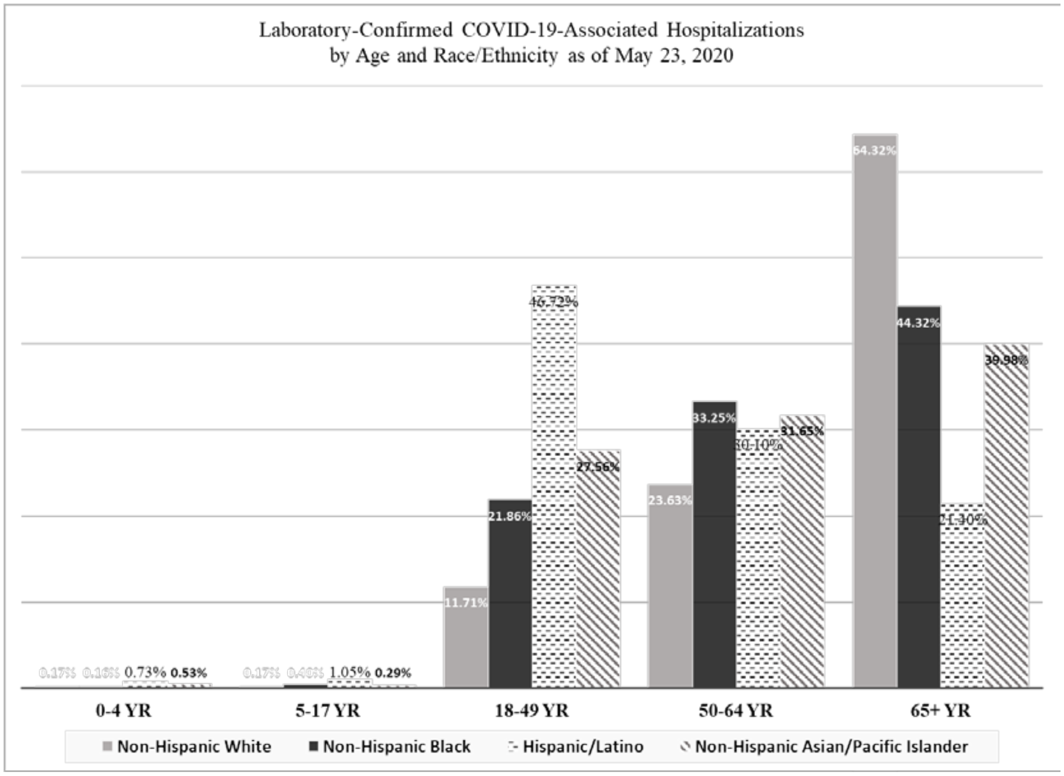


Figure 6

It is essential to understand the risk workers face, as stories continue to mount of problems in meat packing and elder care facilities. Returning to work to face risks, means workers should expect to receive some compensating differential for the risk. But, that assumes the workers have the bargaining power and choices to freely choose to accept the risk. Efforts by state governments to force unemployed workers to take job offers tips the scale radically in favor of companies that do not want to pay for the risks and wish merely to take advantage of high unemployment levels and the state government siding with the employer on how much bargaining power workers should have in this situation. Research has noted that workers constrained by discrimination in their job offers, are not able to command the same risk premia as other workers, Black males and immigrant workers exhibit lower risk premia in some studies.[21]

Workers already feel vulnerable in this labor market. Recent work shows a disturbing pattern of low wage workers, especially women, who report to work despite self-reporting a

[21] (Viscusi 2003) (Hall and Greenman 2015)

fever and other potential symptoms of the virus. This suggests workers are taking on great risks, just to stay employed.[22]

The other imbalance is in a job market with low levels of job hiring, firms that are hiring are likely to wield monopsony power, as among only a few firms hiring. Lowering the bargaining power of workers, already low because of the record level unemployment rate could lead to scarring in the labor market. If expanding firms are monopsonies, the recovery will see slower than needed wage growth coming out of this downturn. A weakness of the labor market up to February had been sluggish wage growth despite low levels of unemployment. Increasingly, economists were concerned that monopsony power was growing among employers.[23]

The huge expenses Congress has been forced to make to keep consumption up for low-income households shows the high cost of low wages on our economy. Without many state and local governments having already taken steps to move toward $15 an hour, those expenses would have been higher. An extremely weak labor market will exacerbate problems of monopsony in the labor market. Our economy will not grow back the jobs as quickly as we need, unless we counteract monopsony power in the labor market. Wage recovery from the pandemic will be significantly slower than wage recovery from the Great Recession without including the provisions of the Raise the Wage Act of 2021. So, it is necessary both to reduce the costs of federal expenditures and to support proper wage growth during the recovery from the pandemic that Congress must put all of the United States on a path toward $15 an hour. All available research shows it will be an important tool in addressing the underlying racial inequalities the pandemic has laid bare.[24]

## Why Aid to State and Local Governments is Important

Despite federal efforts to keep the economy going, state and local governments, left on their own to face the uncertainty of the Pandemic have been drastically reducing public sector workers and reducing their expenditures. State and local government expenditures have been falling since the second quarter of 2020. In the third quarter, while the rest of the economy was rebounding

[22] (Wozniak, Disparities and Mitigation Behavior during COVID-19 2020)
[23] (Azar, et al. 2019) (Mendez and Sepulveda 2019)
[24] (Wurstein and Reich 2021)

from its second quarter collapse, state and local government lowered the growth in the economy. And, in last quarter, the fourth quarter of 2020, growth was a almost 0.2 percent lower than its weak 4.0 percent growth because of the continued drag in state and local government expenditures. In the fourth quarter 2020, state and local government was running where it stood in fourth quarter 2017. For the size of the task at hand, that is too small.

And, in hand, so has state and local government employment slowed the recovery in the labor market. The drop in state and local government employment in 2020 was greater than occurred during all the Great Recession. State government employment is now down below its level in 2002; while local government employment is now below its level in 2003. This is not a level to keep state and local government as a partner with the necessary national actions Americans need to see taken.

This continued deterioration in state and local government expenses and employment will stand in the way of the all-out effort to get to Americans vaccinated at a rate to contain the virus and restore consumer confidence to get the economy operating at a higher speed. State and local governments will need to assist in greater outreach, because of the level of disruption in the lives of so many who cannot use computers to get appointments for vaccines. And, local authorities need the greatest latitude in meeting the needs of their community to handle the many layers of loss households are experiencing.

## Why American Championing expanded Special Drawing Rights at the IMF is important

In the last three years, the United States has shrunk from the world stage. This is the greatest world challenge since World War II. It is imperative the United States return to its place of global leadership. More important than the role the United States played in winning the victory over Fascism in World War II, was its leadership in winning the peace.

Now is the time to ensure global cooperation in taking on the greatest threat humans face. That means American leadership with the World Health Organization and making sure that all nations have the fiscal space they need to mobilize their countries to contain and defeat the coronavirus. As with World War II it will mean running global public debt levels to high levels. But the fight cannot come at the expense of governments carrying out their necessary functions for national welfare. So, there must be fiscal space to prevent austerity measures shrinking the world economy just as global commerce emerges from the slump the virus is causing. A slow global recovery will only add more headwinds to a full recovery for the American economy. And, if only a small handful of countries fails to commit to contain the pandemic, then no country, including the United States, will be safe or over the heartache of the coronavirus.

American leadership will be necessary to keep the world economic slowdown from being complicated by austerity measures to meet the debt challenges the pandemic is forcing on governments. The global recovery from the Great Recession must loom in our minds, because the American economy's recovery was slowed by austerity measures that continued for too long in the European Union and that were forced on emerging nations. When other economies suffer from austerity measures, their economic solutions quickly turn to zero-sum games of all seeking export-led growth at the expense of every other economy and all to the detriment of the United States. More importantly, austerity in too many countries undermines national cohesion and weakens democratic institutions. A world with more nationalist zealot leaders is not a safe world for the United States. It is the great lesson of World War I that the United States understood, and used to form policies to make a post-World War II world order safe for governments to respond to the needs of people.

## Other considerations

There are many other considerations Congress should have. A clear focus needs to be on issues of scarring created by the pandemic on our economy and the lives of Americans. Some are easy to prevent, like including support for relief to our airline transportation sector. This is a vital industry we need to be ready the moment the pandemic allows Americans to move around more freely. Keeping those workers with income—paying income taxes, supporting retirement programs and on their private health insurance plans—helps keep public resources more targeted to those in need. The low-wage workers in our airports who provide the necessary porter jobs, and other services that ease movement for Americans are included in the current relief package to that sector. And, removing frictions of having to recruit, hire and train workers to get the industry back up and flying will keep inflationary pressures low.

Some scarring is less evident. Going forward, companies that are dependent on person-to-person business may face hurdles as banks and lenders worry of the additional risk those companies bare from a future health crisis. What this experience should make clear is that like federal flood insurance, there needs to be a federal business continuation insurance to cover health orders needed to combat epidemics. A program of this type may well be necessary to ensure short-lived investments, like those needed to stage plays or produce musical festivals.

So many households find themselves in debt because of the interruptions to work from illness and fighting off the virus, or losing work because of the virus. Those debts are scars that will slow the recovery, because when the economy returns, people will still be paying for previous consumption instead of fueling the recovery. Congress should look to rental assistance as a way to keep the worst outcome from happening: having people become homeless. And, to ensure that efforts to support the income of low-income households goes to current consumption and recovery, consider a moratorium on wage and benefit garnishment. If Congressional efforts get siphoned off by garnishments, even to the federal government for tax or student loan debt, it will reduce the efficacy of the efforts to keep the economy going while we fight the pandemic.

The faster we can recover, the easier it will be to get long-term unemployment resolved. We are already on a path to long-term unemployment reaching the heights of the Great Recession as a share of solving the unemployment crisis. Some sectors may need kick starts to clear. For instance, one of the hardest hits industries has been live entertainment and the arts. It is likely to take a long time to get everything back in place, so Congress should think about expanding grants by the National Endowment of the Arts to speed that recovery along.

This downturn also effects generations differently. When the labor market slows it falls disproportionately on the young. Entering the labor market during economic slow downs lowers potential life time earnings. That is a scar that will be clear for years to come for the cohort of young workers graduating into the labor market in 2020 and 2021.[25] Student debt relief will help bring about generational equity.

## • Conclussions

Our economy faces many challenges. The urgency to meet those challenges could not be greater. Delay is not an option. The problems only compound daily. The proper framework is that we are waging two wars. We are losing lives. We cannot lose sight of that fight. Getting the pandemic under control is necessary to having an open economy. That fight is also creating economic casualties, limiting our activities and contorting our demand. It is vital, as in all

[25] (Friedman 2021)

national fights, that we show unity and support those who are being hurt by the fight. National solidarity is as necessary as during World War II to defeat this pandemic that has already taken more American life than we lost in combat during World War II. We need all resources to the front, and full coordination between all levels of government: federal, state and local.

But we must be preparing for when the pandemic is gone. And that will take a healthy economy. On that front, we need households to be free of the scars that the economic slowdown is inflicting: lost income, rising debt, food insecurity, forgone personal investment. We have to prevent that scarring from becoming wounds we cannot heal, like homelessness.

As a nation we have the resources to tackle this dilemma. We are a much bigger and richer nation than the one that fought and won World War II. We need the same vision and leadership to also win a world order that can sustain growth and economic prosperity. And we need the compassion and national unity to set a path for our generations to come.

This cannot be a fight where we walk away from the same Americans suffering from the mistakes we made with past policy. Instead of walking away from Americans, we need to walk with them. And, as we learned from the mistakes of World War I and the rising inequality that crashed the global economy ten years later, following World War II we put in place policies that promoted equality.

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