Where is the economy at right now? How far along in the recovery process are we? And should we be optimistic about the next six months?

There were signs of a recovery slowdown in the federal jobs report for September. Media headlines included discouraging phrases such as these: recovery “loses momentum” and is “stuck in low gear;” “worries over U.S. economic slowdown”; and a “massively concerning” jobs report.

While the unemployment rate fell again, much of the decline was due to a surge of people dropping out of the labor force. It is true that a separate survey of job totals at non-farm organizations showed an increase of 661,000 jobs. In normal times that number would be terrific news, but it is a slow crawl when we need 11 million jobs to return to pre-pandemic levels.

And it was not cheering that Disney, American Airlines, United and other companies announced big layoffs. Regal Theatres was ready to open, but decided not to, so 40,000 workers weren’t back at work.

There were other danger signals: a big jump in the number of women dropping out of the labor force, an increase in people who say their jobs have disappeared (they’re not just on a furlough), and more long-term unemployed people (out of work 27 or more weeks). Also, more people in poverty.

While the official unemployment rate for whites was down to 7 percent, the rates for Latinos and Blacks were still extremely high at 10.3 percent and 12.1 percent.* And employment rates stayed down for the lower two-thirds of the work force. Americans with annual incomes of $60,000 and above have gotten back to pre-pandemic employment levels. Other income groups have not.

Experts have talked about a K-shaped recovery: some groups recover, others continue to fall. That’s our two-tiered economy. We’ve always had one, but it is worse now.

In September, retail spending came back to pre-pandemic level. But in a recent sample, one in three adults said they were having trouble paying their bills. And that fraction will grow without new spending programs. More people became poor in the last few months. While CARES spending under the Coronavirus, Aid, Relief and Economic Security Act helped to cut poverty rates, the end of CARES spending has meant more people--perhaps 8 million--falling into poverty. Wisely, many people used CARES benefits to pad their savings. Now many of them are using up their savings to buy what they need.
The recession is likely to worsen if there is no new substantial stimulus and relief program.

In the spring, new federal spending programs helped a lot of people. There were the $1,200 stimulus checks, the $600 unemployment bonus, the expansion of unemployment benefits to more of the unemployed, including gig workers, and direct subsidies to businesses. It was a pretty rich program, considering that right-wing politicians controlled the U.S. Senate and White House.

Americans were probably lucky that negotiations were in the hands of U.S. Treasury Secretary Steven Mnuchin, and not White House Chief of Staff Mark Meadows, a free market ideologue. Meadows led Trump’s effort to avoid dealing with the coronavirus plague. According to a New York Times investigation, his goal was for the White House to hand off the crisis to the states as soon as possible. And that is essentially what happened. But not on economic stimulus programs.

In the spring, the federal government was borrowing and spending on a grand scale, just as mainstream economists advised. In 2019, the federal deficit for April through August--five months--totaled a half a trillion dollars. The total deficit for April, May and June, 2020--just three months--was $2 trillion dollars. That is high-temperature Keynesianism. It was a lot of money and it kept millions of people from going hungry. And it helped turn the economy around.

But most of those spring programs are finished. No new stimulus package has been passed by the Congress.

The lack of new spending programs adds pessimism to economic forecasts. And some of the forecasts are very dark. Here is one and it is not from a left-winger but from a business organization that serves businesses. In “Labor Market Recovery Attenuating” (from Moody’s Analytics in September), Sylvia Koropeckyj predicted that job markets will recover slowly and in stops and starts, in part because there is no second round of stimulus and relief spending. Here are three of Koropeckyj’s most shocking predictions:

- employment gains “will stall completely” in the fourth quarter of this year;
- a year from now the employment level will be the same as it was this August; and
- pre-pandemic job levels will not be achieved until the end of 2023.

Without new federal spending, the incoming administration in January 2021 will have to deal with an economy that is in much worse shape than today. This is a truly dire situation--and perhaps catastrophic for the lower half of the population if Republicans retain control of the White House or the Senate. Republican Senate Majority Leader Mitch McConnell now seems to believe that Trump will lose the election, and his strategy is to allow the economy to fall further in order to make life miserable for incoming Democrats. Very moral guy.
Republicans cause more poverty and unemployment and blame it on the Democrats. It happened before. A decade ago, in the Great Recession, McConnell, Paul Ryan, then the House speaker, and many Republicans fought against substantial spending programs that could have sped up the recovery from the Great Recession. Then they blamed former President Barack Obama for the weak recovery.

It is true Obama could have done better. And Democrats can do better than he did this time. A really big election victory, an economy in which poverty and unemployment are spreading, and progressive pressure on Biden and other centrists could be the recipe for a new New Deal--one that raises income support programs, directly creates millions of good and useful jobs, and organizes the federal pandemic response in a rational way.

* The unemployment rates cited here are the official ones. But we know that real unemployment is much higher than official estimates. For example, according to the National Jobs for All Network, real unemployment in September, including people who stopped looking for work but want a job is not 7.9 percent, as in the government’s report, but 15.6 percent. The real rates for specific groups must be are about twice their official rates.


_Frank Stricker’s book, “American Unemployment: Past, Present, and Future,” has recently been published by the University of Illinois Press. He taught many years at California State University, Dominguez Hills, and he is a board member of the National Jobs for All Network. His views do not necessarily represent the organizations he is affiliated with._