



## ECONOMIC UPDATE

### May 8, 2020

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#### Quote of the week

“I strongly support a plan that would tie the generosity of unemployment benefits to measures of the unemployment rate.”

—Former Chair of the Federal Reserve [Ben Bernanke](#)

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#### What you need to know

- [Nonfarm payrolls shrank by 20.5 million in April—raising the unemployment rate to 14.7%](#) and erasing almost every job created in the last decade. This is the highest the unemployment rate has been since the Great Depression, and it still may be an undercount.
- Massive job losses continued, with another [3.2 million Americans filing initial unemployment claims in the week ending May 2](#) (seasonally adjusted). Over 33 million (nearly 1 in 5) workers lost their jobs over 7 weeks. Nearly 600,000 more workers filed through the Pandemic Unemployment Assistance Program in 23 states.
- While the “curve” of new coronavirus cases is flattening in initial hotspots like New York City, Detroit, and New Orleans, [cases are rising in the rest of the country](#).
- [The White House was ridiculed this week](#) when the President’s Council of Economic Advisers published a graph suggesting that coronavirus deaths would drop to near zero by mid-May. The chart was based on calculations by former Trump CEA Chair Kevin Hassett. Former Obama CEA Chair Jason Furman called it “utterly superficial and misleading” and possibly “the lowest point in the 74 year history of the Council of Economic Advisers.”
- State governments are under increased financial strain from the virus and are [borrowing](#) or [making cuts](#) to make ends meet. [Similar cuts have prolonged past economic crises](#).

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#### Happening the week of May 11, 2020

- *Monday*: The New York Fed releases its [Survey of Consumer Expectations](#).
- *Tuesday*: NFIB releases its April [Small Business Optimism Index](#), the BLS puts out the April [Consumer Price Index](#). The Treasury releases its [Monthly Treasury Statement](#).
- *Thursday*: The Department of Labor publishes weekly [Initial Jobless Claims](#).
- *Friday*: Census releases April [Retail Sales](#) and the March [Manufacturing and Trade Inventories and Sales](#). The Federal Reserve releases its [Industrial Production and Capacity Utilization](#) survey.

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## Good reads

- [“Why Home Prices Are Rising During the Pandemic,”](#) *The Wall Street Journal*, 5/5/2020
- [“Trump and His Infallible Advisers,”](#) *The New York Times*, 5/4/2020
- [“When Your Zip Code Determines Whether You Live or Die,”](#) *New York Magazine* 5/5/2020

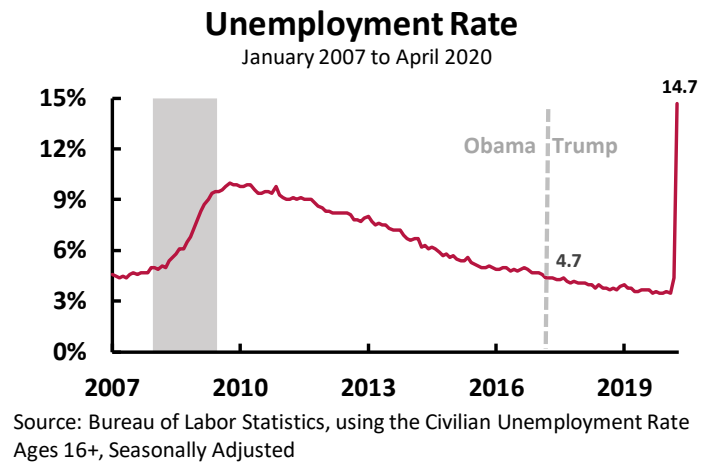
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## Chart of the week:

The BLS reported that the unemployment rate rose to 14.7% in April. The unemployment rate was 16.7% for Black workers and 18.9% for Hispanic workers.

Job losses in April were 25 times worse than the worst month of the Great Recession. Since the federal government began tracking the unemployment rate in 1948, the highest national unemployment rate ever recorded by BLS was 10.8 percent in 1982. In just the month of April, the unemployment rate increased 10.3 percentage points.



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## New research and reports

- Economists at the NY Fed find that [PPP loans have not necessarily gone to the hardest hit areas](#), but have gone to areas with stronger bank financing relationships and community bank shares.
- Economists studying high-frequency transaction data estimate that [recipients of the \\$1,200 per adult CARES Act payments spent nearly 30% of the stimulus within 10 days](#), and were more likely to spend if they had less liquidity and lower incomes. This appears to confirm the Economics 101 principle in a recession aid to the less well-off is more effective because they have a higher “marginal propensity to consume.”
- This report from the Center on Budget and Policy Priorities [compares the current economic crisis to the Great Recession](#), showing that the current crisis is “extraordinary and unprecedented”—and requires an extraordinary and unprecedented response to match.

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## Selected JEC resources

- [U.S. Economy by the Numbers](#)
- [Automatic Support for Americans during the Coronavirus Crisis](#)
- [Massive Aid to State and Local Governments Needed to Slow Economic Damage](#)
- [McConnell Is Wrong: Forcing States into Bankruptcy Defies Logic](#)

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