Billionaires Rejoice: COVID Economic Recession Year One: Who Gained, Who Lost

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We hear a lot lately about the US billionaires increasing their wealth by more than $1 trillion over the past year, as Covid precipitated the most severe recession since the 1930s of the real economy over the past year–from the spring quarter of 2020 last year through the spring quarter 2021.

Over the same period, however, US stock markets surged to record levels. This past week in early August they attained record breaking levels nearly every consecutive day.

Much of that record surge in stock and other financial markets has been due to the US central bank, the Federal Reserve, over the past year pumping almost $4 trillion in virtually free money into the banks and big corporations even though they were flush with excess cash.

The Fed in effect 'pre-bailed out' the banks even when they weren't in trouble.

Moreover, the Fed has indicated its intent to continue to pump free money into the banks and even non-banks at the rate of $120 billion per month, through 2022 at a minimum. That's more than $2 trillion after the past year's nearly $4 trillion–even though no banks are in trouble or need it.

But bankers and billionaires were not the only big beneficiaries of government bail out policies over the past year.

So were the vast majority of largest US corporations. Starting in January and February 2020, medium and large non-bank corporations began to raise trillions of dollars in cash by selling their corporate bonds at dirt cheap rates made possible by the Fed driving interest rates to near zero. Added to this cash hoard created by low Fed rates and record corporate bond rates, the same medium-large US corporations drew down hundreds of billions more from their credit lines with banks, then got $650 billion in new tax breaks from Congress in March 2020. They also got to cut their operating costs big time (especially wages and facilities costs) dramatically due to the shutdowns. The combined result was record income gains for big US corporations–not only for US billionaires! How big?

Reports just released in recent days reveal 89% of the Fortune 500 companies increased their revenue this latest quarter (April-June 2021) by no less than 24.7% over the same quarter in 2020 when the Covid induced recession began.

That 24.7% revenue explosion compares, by the way, to an average quarterly revenue gain of 4.5% over the past 5 (non-recession) years; and 3.4% average over the preceding 10 years after the last official recession ended in 2009.

So Corporate America did fantastically well as result of the recession, not just the 'tip of the wealth receiving iceberg', US billionaires!

In contrast to the record gains of billionaires, stock shareholders, and big corporations in general, over the same past year, more than 35 million American workers lost their jobs at one time or another. And at least 17 million are still jobless: 12m are still collecting unemployment benefits + 3m dropped out of the labor force + 1.5m are still improperly classified as 'furloughed but working' by the US Labor Dept. (which it admits was incorrect but still refuses to correct).

That 17m is twice the 'official' number of 8.7m jobless being pushed by the government and parroted by the mainstream media. Both numbers are from government sources, but politicians & media like to cherry pick the best number even though it represents only part of the total picture.

Most of the US work force this past year also experienced big wage cuts, due in part to the massive unemployment (no job equals a total wage cut), or reduced hours of work (millions converted to part time from full time work), or just lower hourly pay over the same period. Wage collapse at the middle to lower end of the structure of wages in the US left the highest paid, still working, receiving their higher salaries and pay. That raised the average pay in general while the vast majority saw their actual wages collapse. (Government & media also like to report this distorted figure of rising wages over the past year as well).

As the economy has begun to reopen again this summer 2021, some workers have returned to work but now it appears that pace is slowing.

The June & July jobs reports by the labor dept reflect a pick up of rehiring as many service industry workers have begun returning to work. But these aren't 'job gains' or new jobs in the economy. They are 'job returns'. Moreover, signs are now emerging that the rehiring is beginning to slow. Many industries and companies do not have plans to return all laid off this past year back to work. They have already begun to implement AI and other technologies that allow them to displace workers with machines and software. And they are doing so.

Just as important, millions of workers who have returned have done so to jobs providing fewer hours of work per week and therefore less weekly earnings than before the recession. That's likely a major reason why many laid off service workers are resisting returning to work. They'll actually see less weekly pay due to hours of work per week reduced. Others can't return because affordable child care is not available. Others aren't simply because they've come to realize their service occupations were dead-end low paid and unstable jobs. Future waves of Covid could once again throw them out on the street. Who can blame them for not returning!

As for small businesses, they too have been on the negative receiving end of the recession, like the workers and unlike their medium and large corporate cousins.

Most accounts show around a million small businesses have gone under despite the Government's fiscal bailout having provided about $1 trillion in guaranteed loans and outright grants since March 2020! With nearly a million small business failures, one can only conclude from that much of the $1T loans and grants bailout money did not get to those needing it most. Exposing how much of the bailout of small business was 'gamed' and by whom is a work in progress but will certainly be revealed at some point.

Like workers and small businesses, the nearly 75 million renters (in 48 million rental units) have also been bearing the economic brunt of the pandemic. Many have been evicted this past year, despite the CDC-federal govt 'moratorium' on rent payments. That moratorium–extended several times but now set to completely end by October 2021–has never been total. It has only covered rental units that have been supported some way by federal subsidies or rules. Millions have already fallen through the moratorium cracks. And the floor will collapse for all come October. (Only six states have supplemental state rent moratoria in place–none in the south or midwest).

In recent weeks the fight over evicting renters has emerged in the media, along with reports that $47 billion of the March 2020 'Cares Act' $52B earmarked for renter assistance has yet to get into the economy. The media likes to portray this as due to government bureaucratic bungling. But it ignores the fact that resistance by landlords to process the rent assistance is likely the real cause of the failure to disburse funds. Some landlords don't like the fact that the government assistance funds only cover 80% of the back rent. Others don't want to give up the right to collect all back payments in the future; others want to sell or convert the rental units others want to retain the right to evict even though receiving the assistance payments and others want to continue to evict if even one late payment occurs. The public does not know–and media generally refuses to explain–that rental assistance payments must be filed both by the renter and the landlord. And millions of landlords have refused to file. Thus, the real cause of the $47 billion not being paid.

Then there's the much publicized child care assistance payments that began this past July, as part of the Biden 'American Rescue Plan' (aka March 2021 $1.8T Covid Relief Act). While a positive program to make up for the discontinuation of supplemental unemployment benefits and rent assistance, what most Americans don't realize it is only to run through December 2021 then expires as well. Furthermore, it is not actual new real money payments to households, but a pulling forward into July-December 2021 child care payments that would have been received anyway from the IRS next April 2022 when filing with the IRS for the 2021 period child care tax credit.

With recent developments–like the cutting off of unemployment benefits, the expiring of rent assistance, the gaming of small business bailouts, and the soon to expire child care benefits and end of student loan forbearance–one can conclude that a period of 'creeping incremental austerity' for the many has already begun–exempting of course bankers, businesses & investors for whom it appears the free money will continue to flow. Fortune 500 companies, banks, and US billionaires who have reaped massive income gains over the past year, appear exempted from any future austerity.

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