

US Government Fails to Prevent a Worsening Economic Downturn

Tens of millions of job losses and business closures due to the COVID-19 pandemic portends much for the future of education and food security

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Region: [USA](#)

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

As leaders of the Democratically-controlled House of Representatives in the United States attempt to pass new legislation introduced on May 12 costing \$3 trillion which is aimed at providing assistance to state and local governments, households and healthcare workers, the White House and Republican-dominated Senate are opposing any additional measures. (See [this](#))

Senate Republican Majority Leader **Mitch McConnell** of Kentucky suggested several weeks earlier that state governments facing shortfalls in revenue due to the drastic decline in sales, property and income tax revenues prompted by the massive economic dislocation resulting from the COVID-19 pandemic, should consider the federal bankruptcy courts as a possible solution to the enormous funding problems which are already jeopardizing education, municipal services and public construction projects.

This new House bill, known as the Heroes Act, would allocate \$1 trillion to municipal, state and tribal (indigenous) governments. In addition to aid for the cities, states and reservations, another \$375 billion would be directed towards suburban and rural communities all of which were largely excluded from the previous Cares Act that provided a \$2 trillion stimulus package for large corporations, small and medium-sized enterprises as well as individual households filing taxes annually with the Internal Revenue Services (IRS) or receive benefits from the Social Security Administration (SSA). (See [this](#))

An [article published by the Associated Press](#) on May 13 said of the proposed legislation that:

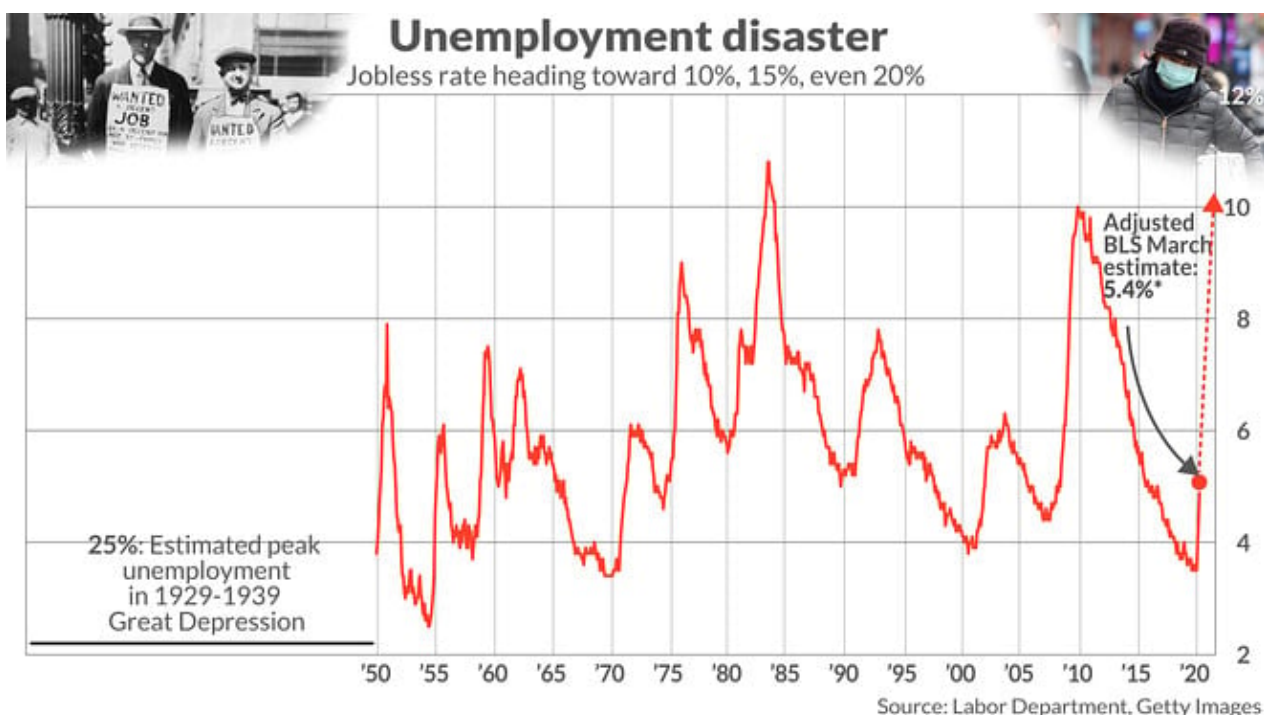
“The bill will offer a fresh round of \$1,200 direct cash aid to individuals, increased to up to \$6,000 per household, and launches a \$175 billion housing assistance fund to help pay rents and mortgages. There is \$75 billion more for virus testing. It would continue, through January, the \$600-per-week boost to unemployment benefits. It adds a 15% increase for food stamps, new subsidies for laid-off workers to pay health insurance premiums under a COBRA law and a special ‘Obamacare’ sign-up period. For businesses, it provides an employee retention tax credit. There’s \$200 billion in ‘hazard pay’ for essential workers on the front lines of the crisis.”

These legislative debates are in direct response to the economic consequences of the COVID-19 pandemic. However, the continuing rates of infections, which are leveling off in some areas while increasing in others, remain a threat to the health and security of all

people living inside the U.S.

President Donald Trump has consistently undermined the guidelines issued by the White House and the Center for Disease Control and Prevention (CDC). These suggested behaviors related to mitigating the impact of the COVID-19 pandemic are routinely contradicted through the making of false claims by the president misrepresenting the actual health situation in the U.S. along with encouraging those workers still on lockdown to return to their places of employment absent of safety guarantees.

A major problem with this argument from the administration is that officially 33 million people in the U.S. have lost their jobs over the last two months. Unemployment rates will undoubtedly increase as businesses and public institutions permanently eliminate positions leaving untold numbers of workers facing financial ruin. (See [this](#))

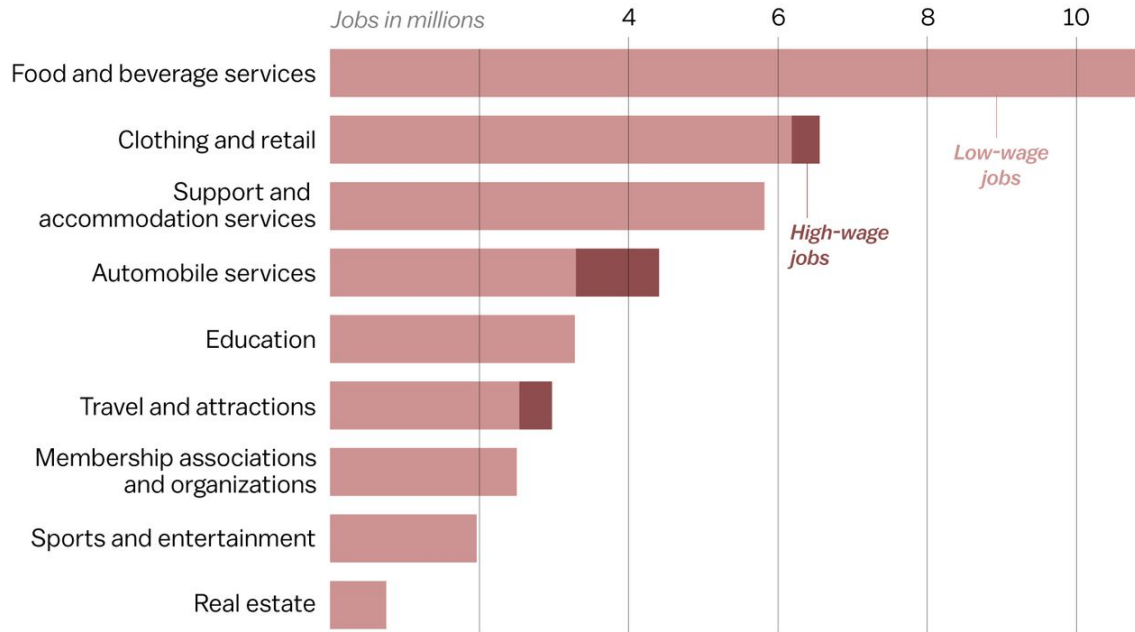


United States unemployment rate at Depression levels during April-May 2020 (Market Watch graph)

Consequently, there are tens of millions of people who have no jobs to return to in the immediate period. Others are facing imminent lay-offs, furloughs along with salary and benefits reductions.

Federal Reserve Bank Chairman **Jerome Powell** has sounded an alarm in regard to the prospects for any immediate rebound of the U.S. economy. Powell strongly urged Congress and the White House to continue to implement policies which can prevent a prolonged economic downturn which could have grave implications for large segments of the population.

Jobs vulnerable to layoffs during the Covid-19 pandemic in the US by industry



Note: "Low income" jobs are defined as making a weekly income of less than \$801.47. Values are rounded.
Source: US Private Sector Job Quality Index

Vox

Jobs categories subject to large-scale lay-offs amid COVID-19 pandemic (Vox graph)

Another [article appearing in the Associated Press](#) said of the present situation:

"The Fed and Congress have taken far-reaching steps to try to counter what is likely to be a severe downturn resulting from the widespread shutdown of the U.S. economy. But Powell cautioned that numerous bankruptcies among small businesses and extended unemployment for many people remain a serious risk. 'We ought to do what we can to avoid these outcomes,' Powell said. Additional rescue aid from government spending or tax policies, though costly, would be 'worth it if it helps avoid long-term economic damage and leaves us with a stronger recovery,' he said."

Reductions in Education Funding to Impact Millions of Students and Workers

There has been much discussion about the shift to online distance learning in response to the closing of K-12 and pre-schools throughout the U.S. Nonetheless, many households in urban, suburban, small town and rural areas remain without internet connectivity and personal computers.

Moreover, in states such as Michigan, predictions are already being made by legislators indicating that there will be a severe funding shortage beginning in the next academic year. Whether schools, colleges and universities can open for on-campus learning remains to be seen as the threat of another wave of COVID-19 outbreaks are anticipated for the fall and winter seasons. (See [this](#))

[Bridge Magazine noted in a report](#) based upon discussions taking place within the legislature in the Michigan State Capitol in Lansing, emphasizing:

“The chair of the Senate committee that sets the K-12 school budget has a dire warning for Michigan schools: Prepare for a crippling decline in state funding. Wayne Schmidt, R-Traverse City, said Monday that he has told school officials in recent meetings to ‘prepare for the worst’ budget in decades — a possible cut in the per-pupil foundation grant schools receive of 20 to 25 percent in the 2020-21 state budget, which must be approved before Oct. 1. A 25 percent cut is the equivalent of a loss of about \$2,000 from the roughly \$8,000 schools received per enrolled student this year.”

The imposition of such austerity policies would translate into billions of dollars in reductions for school districts across the state. Teachers and other education employees would be laid-off while classrooms become even more crowded at a time when social distancing is essential to minimizing the spread of COVID-19.

Food Supply Threatened for Working Families as a Result of Economic Dislocation

White House officials said several weeks ago that the food supply in the U.S. was resilient and secure. However, the widespread infection levels within the meat processing industry has triggered the closing of plants and the rise in absenteeism among workers due to illnesses and resignations over safety concerns.

Prices for many food products have increased over the last month. Shortages of certain consumer goods found in supermarkets and pharmacies are noticeable despite statements to the contrary by the Trump administration.

There is of course a class character to the shortages. [Bloomberg reported in a recent article](#) that:

“While many regular American grocers are running out of meat, specialty food producers have plentiful supplies — for those who can afford it. Production of luxe varieties like heritage pork, grass-fed beef and Amish-raised chicken are expanding at a time when coronavirus outbreaks at mammoth plants operated by Tyson Foods Inc. and Cargill Inc. have wiped out about 40% of conventional U.S. beef and pork capacity in recent weeks. So while lower-income consumers are finding meat hard to come by — with Kroger Co. and Costco Wholesale Corp. rationing purchases — richer Americans have their pick of fancy offerings that often cost twice as much, or more.”

Progressive and Socialist-oriented Policies Needed to Address Crises

With the U.S. government divided among the two leading capitalist and imperialist political parties which dominant the bureaucratic landscape, the potential for effective and immediate remedies to the burgeoning economic difficulties remain elusive. The Heroes Act legislation proposed by the Democratic Party leadership may help working and oppressed people in the short-term nevertheless the passage of such measures over and beyond Senate and White House opposition could require the intervention of popular organizations and Labor.

What is obviously more appropriate in light of the projected long term economic downturn resulting in another recession or depression, would be the need for the redistribution of income and wealth from the ruling capitalist class and the state to the working class and nationally oppressed. International finance capital dominating the transnational corporations

should be taxed and nationalized in order to effectively address the grim social conditions of the proletariat and the oppressed.

Resources needed to maintain the households of working families and the chronically impoverished could be diverted from the subsidies and privileges provided to multibillion dollar private firms, the Pentagon and Homeland Security. The deteriorating public health status of millions of people in the U.S. represents a national emergency and should be approached as such.

Strategically, socialism provides the only solution to the crises of capitalist production and property relations. Under socialism a planned economy would ensure the health and economic security of the masses of working people and the oppressed as a priority within the public policy framework of the state.

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