

Panelists say economic recovery depends on safe return to work, reducing consumer fears of contracting COVID-19

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A national economic recovery from the pandemic-induced recession rides on the ability to act quickly so people can safely return to work and buy goods and services without fear of contracting coronavirus, an economist and economic reporters agreed during a WisPolitics.com DC virtual event Tuesday.

The national economy is experiencing a recession unlike any before, with problems affecting markets on both the supply and demand sides.

On the supply side, people are unable to return to work because many industries, like leisure and hospitality, are simply unable to provide an environment that facilitates social distancing. On the demand side, consumers are wary or unable to buy goods and services at pre-coronavirus rates because they fear contracting the virus. Additionally, many businesses people used to shop at are closed or operating at reduced rates.

While the economy has been clawing its way back from the sharpest downturn in U.S. history, a new wave of infection cases is fueling uncertainty.

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“Of course, no one knows what’s going to happen here,” said Thomas Walstrum, a senior business economist with the Federal Reserve Bank of Chicago. “Is the second wave going to push economic activity? Is it going to slow it, or are we actually going to see things come down?”

To help the recovery, the Federal Reserve has been offering lower interest rates and working to create a borrower-friendly economy, Walstrum noted.

A split Congress, due back later this month, appears unlikely to come up with a compromise before the August recess as several aid packages, such as the special \$600 weekly unemployment payment, are ready to end.

GOP U.S. Sen. Ron Johnson is more concerned with examining how CARES act funds were spent than examining the House-passed Heroes Act championed by Dem U.S. Sen. Tammy Baldwin, according to Spectrum News Washington correspondent Taurean Small.

“The House back in March passed the Heroes Act worth about \$3 trillion and would include another round of individual checks,” said Small. “But again, this is a divided Congress, so nothing is ever really easy. I think the most collaboration that we saw happened at the earlier part of this pandemic. As we’re several months into it now, this is where we start to see those divisions.”

But the Fed simply doesn’t have the ability to send cash to people who need it as Congress does.

“Fed Chair Jay Powell says all the time that the Fed has lending powers and not spending powers,” said Politico financial services reporter Victoria Guida.

Learning from the economic recovery after the Great Recession, the Fed decided to act quickly to help struggling businesses by providing financial liquidity in the markets.

“Certainly, low-cost loans help, but you need actual cash at the end of the day sometimes and you might not want to saddle yourself with debt,” said S&P Global Market Intelligence reporter Polo Rocha.

Walstrum predicted the U.S. economy will make a full recovery by the middle of 2022, but Guida said that all depends on how the United States deals with the health crisis at hand.

“This is a health crisis, and figuring out how to control and contain the virus should be at the top of the list for how we can get an economic recovery,” she added.