

The Coronavirus Collapse Is Here: Get Ready For The U.S. Unemployment Rate To Hit 20 Percent (Or Higher)

theeconomiccollapseblog.com/archives/the-coronavirus-collapse-is-here-get-ready-for-the-u-s-unemployment-rate-to-hit-20-percent-or-higher

By Michael Snyder

March 17,
2020



As communities all over America shut down in order to help prevent the spread of the coronavirus, job losses are already starting to rise to extremely alarming levels. As you will see below, almost one out of every five households in the U.S. has already experienced “a layoff or a reduction in work hours” because of this pandemic. Unfortunately, many experts are now anticipating that we could see one of the most dramatic spikes in the unemployment rate in American history in the months ahead. In fact, it is being reported that Treasury Secretary Steven Mnuchin just told members of Congress that this crisis could actually push our unemployment rate up to 20 percent...

Treasury Secretary Steven Mnuchin warned Republican senators Tuesday that the coronavirus pandemic could drive up US unemployment to 20%, a Republican Senate source told CNN.

Mnuchin’s comments came as he urged Republican senators to act on economic stimulus measures totaling \$1 trillion designed to avert that kind of worst case scenario.

If this coronavirus pandemic is over by the end of this calendar year, I think that Mnuchin’s projection may be accurate.

But if this pandemic stretches into 2021 or beyond, the U.S. unemployment rate will likely go quite a bit higher.

If you doubt this, just look at what has already happened...

The coronavirus pandemic has already started to hit American pocketbooks, with nearly 1 in 5 households experiencing a layoff or a reduction in work hours, according to a new NPR/PBS NewsHour/Marist poll.

As people stay home, avoid crowds and cancel plans to avoid spreading the disease, it's rapidly causing a contraction in economic activity that is hurting a wide range of businesses.

To be more precise, the survey found that 18 percent of U.S. households have lost income already because of this pandemic.

But we are still only in the very early chapters of this crisis. If employment is being hit this hard now, what is going to happen if millions of Americans eventually catch this virus?

And it could happen. As I have discussed previously, the attending physician of the U.S. Congress believes that up to 150 million Americans will ultimately become infected.

Sadly, lower income Americans have been hit the hardest by this crisis so far...

Lower-income workers were the most affected: A quarter of households making less than \$50,000 had experienced cut hours or a job loss.

Most lower income Americans are living paycheck to paycheck and are just barely scraping by each month.

So if this pandemic doesn't end relatively soon, it won't be very long before millions of them are really, really hurting financially.

Needless to say, we are about to see a colossal spike in the number of Americans seeking unemployment benefits. In fact, so many New Yorkers have been trying to apply that it actually crashed the website...

A drastic move by Gov. Cuomo to close all of the state's restaurants, bars, movie theaters, gyms and casinos by 8 p.m. Monday to contain the outbreak had suddenly jobless workers flooding the Department of Labor with applications for unemployment benefits.

So many people tried to apply that the website crashed several times throughout the day — while the DOL's hotline was so jammed up that callers seeking aid could not get through to someone who could handle their claim.

And according to U.S. Senator Rob Portman, the number of people in Ohio filing for benefits jumped 592 percent in just one week...

Senator Rob Portman, an Ohio Republican, said on Tuesday that he received new data on Ohio's unemployment claims showing 45,000 claims this week compared to 6,500 last week, according to journalist [Liz Skalka](#).

That's a one-week increase of 592 percent.

Please let that number sink in for a moment.

592 percent.

We are going to see things that we have never seen before in the weeks and months to come, and the economic suffering is going to be off the charts.

At this point, even Goldman Sachs and Morgan Stanley are acknowledging that a recession has probably already begun, and one economist is now projecting that U.S. GDP will decline at a 10 percent annualized rate during the second quarter...

We are only just beginning to see what the economic fallout from coronavirus will be.

And Wall Street economists are now throwing out some brutal forecasts for what economic data in the quarters ahead might hold.

"We now guesstimate that second quarter GDP will drop at a 10% annualized rate, after a 2% fall in Q1," said Ian Shepherdson, chief economist at Pantheon Macroeconomics, in a note to clients on Monday night.

In a desperate attempt to prop up the economy, the Trump administration is proposing a stimulus package that will be somewhere in the neighborhood of a trillion dollars.

The following is how [CNBC](#) summarized what may be in that package...

- \$500 billion to \$550 billion in direct payments or tax cuts
- \$200 billion to \$300 billion in small business assistance
- \$50 billion to \$100 billion in airline and industry relief

If Congress ultimately approves this package, apparently quite a bit of the money will be used to make direct payments to U.S. households.

According to Treasury Secretary Mnuchin, the American people "need cash now"...

Potentially \$250 billion of the package could go toward making direct payments to Americans, a White House official told The Wall Street Journal on Tuesday. Mnuchin said earlier Tuesday that the administration wants to get emergency funds in Americans' pockets "immediately."

"Americans need cash now," Mnuchin said during a White House press briefing on the administration's latest efforts to combat the disease. "I mean now in the next two weeks."

Of course this would set an extremely dangerous precedent, and the federal government can't afford this because it is already drowning in debt, and "helicopter money" is likely to cause significant inflation, but very few policy makers in Washington seem to be alarmed by such concerns.

If the federal government is going to do this during the very early chapters of this crisis, they better keep on doing it month after month, because the suffering is going to greatly escalate the longer this pandemic lasts. If we get to the point where the payments are eventually cut off, it is likely that we will see a really big national temper tantrum.

And instead of sending out \$1,000 to each adult, why not send out \$10,000? Better yet, why not make it \$100,000?

I don't know anyone that couldn't use an extra \$100,000 right now.

Needless to say, once we start going down this road it is just a matter of time before our money is completely and utterly worthless.

Our national economic nightmare has begun, and it is going to be absolutely horrifying. I really like how Peter Schiff recently made this point...

This is the beginning of the end. This is how it starts. And believe me, when you see how this finishes, this is going to be unlike anything we have experienced. I think we have passed that point of no return. It's like we've already jumped off the top of the building, off the top of the Empire State Building. There's no way to change our minds now. We're going to hit that pavement. I can't see any way we can avoid that. All we can do is brace for impact ourselves."

For so long, so many of us have been warning that "the everything bubble" would burst and that the consequences would be extremely severe.

It turns out that fear of the coronavirus is the "black swan event" that finally burst that bubble, and now everything that we have been warning about is starting to unfold.

The coronavirus collapse is here, and the days ahead are going to be exceedingly challenging. We are about to experience the consequences of decades of exceedingly foolish decisions, and those consequences are going to shake our society to the core.