



The Daily Dish

The Mathematics of Gotta Do It

DOUGLAS HOLTZ-EAKIN | MAY 1, 2020

Eakinomics: The Mathematics of Gotta Do It

“I’m a fiscal hawk from way back, and all of my heebie-jeebies are going off when I see these numbers. But then I look at the scale of the problem, and I think, yeah, that’s that. Gotta do it.”

Yes, I [said](#) that. And I’ve gotten a fair amount of grief for it. But I left out the numbers themselves, so it is instructive to reflect on them.

Consider employment. In March, employment fell at an annual rate of 5.4 percent. But the first half of March was essentially unscathed by the pandemic. In the past 6 weeks, there have been roughly 30 million new claims for unemployment insurance (UI). If one assumes that employment fell by 30 million over that period – a conservative guess because not everyone who lost their job will try or succeed in filing for UI – then during April the decline in employment was at an annual rate of 19.7 percent. The worst month in the Great Recession was a decline of 7 percent at an annual rate. Even if not another job is lost for the rest of 2020, the 19 percent decline will dwarf the 3.7 percent decline in 2008 or 8.2 percent in 1932 – the worst years of the Great Recession and Great Depression, respectively.

Now, turn to output. Most forecasts are that the 2nd quarter of 2020 will experience a decline in gross domestic product (GDP) at an annual rate of 30 to 40 percent. The worst quarter in the Great Recession (the 4th quarter of 2008) saw a decline of 8.4 percent. For the whole year, the decline in 2009 was 2.5 percent and in 1932 was 12.9 percent. This year will dwarf the Great Recession. Only with solid growth in the 2nd half of the year will it sneak past the worst of the Great Depression.

So, it *does* give me the heebie-jeebies to see the federal budget deficit roughly triple to \$3 trillion in the space of the past two months. And they get worse when I realize that it will likely have quadrupled before all is said and done in 2020. The biggest increase in the Great Recession was a rough doubling from 2008 to 2009. But the problem is anywhere from twice to five times as large as in the Great Recession, and the federal deficit may have to rise comparably to fight the downdraft.

I remain a budget hawk. I am unconvinced that deficits pay for themselves, that federal debt is costless, or any of the other nonsense that has become so trendy. But I do know that the economy comes first. If you can mitigate damage to the economy – even if it means a less pristine budget – you do it.