New York state's economy spirals into the abyss under the effects of COVID-19

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A newly released consultant's report prepared for the New York Division of Budget predicts that losses to the state's economy will reach $243 billion due to the coronavirus pandemic, representing approximately 14 percent of the state's GDP.

The study, produced by Boston Consulting Group (BCG), assumes that full recovery to the level that existed before the pandemic will not be achieved for three years, until the first quarter of 2023. It factors in the effects of the federal CARES Act.

This dire prediction has profound implications regarding the severity of the pandemic's effects on the working class.

The projected years-long span of the recovery, likely a best case scenario, will exacerbate the already severe condition of the state budget, adopted earlier in the month. In February, prior to the outbreak of COVID-19, New York Governor Andrew Cuomo had projected a $6 billion deficit for the 2020–2021 state budget, indicating that the state's economy was already facing difficulties.

Only two months later, the state budget deficit estimate more than doubled to $13.3 billion due to a combination of anticipated increases in expenditures and reductions in revenue caused by the pandemic. This prompted a wide range of cuts to education, health and other social programs in the proposed budget. In addition to specific cuts, the state's budget director, Robert F. Mujica Jr., was authorized to make further cuts based on periodic reviews during the course of the fiscal year.

During the fiscal years 2021–2024, tax revenues are estimated to decline by $61 billion from previous projections. Over the last two months alone, the state's tax receipts have fallen by 12.4 percent. Cuomo, a Democrat, has vehemently refused to consider raising taxes on the wealthy.

The state budget already includes $10.1 billion in cuts. Among these are aid to localities, encompassing education, health care and municipal budgets, reduced by $8.2 billion at a time when municipalities are faced with insurmountable blows to their own economies and budgets. Funding to state agencies will be cut by 10 percent. Together, these reductions will add to the already mounting wage cuts and layoffs across the state.

The New York Department of Labor reports that over the last five weeks the total number of new jobless claims has already reached 1.4 million, an increase of over 2,100 percent over the same period last year. This represents about two-thirds of the total jobless claims filed in the state during the entire Great Recession, from June 2007 to November 2009. The latest figure does not include self-employed, gig or part-time workers. The state's current official unemployment rate is about 13 percent. Based on the report's conclusions, that rate will increase dramatically as the crisis continues.

The study's estimates are based on comparisons with the economic effects of past disease episodes. Given that the scientific understanding of COVID-19 is still in its infancy, let alone the totally inadequate governmental response so far, any projections regarding the course of the disease and its economic consequences must be taken with a great deal of caution. The total number of reported infections in New York state is nearly 300,000 and the total deaths 22,612 as of April 27. The rate of reported new cases across the state, as of April 26, was over 5,900 per day, remaining above 5,000 except for two days since March 25. Although it has declined from its peak, the daily death toll remains in the multiple hundreds.

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Despite the evidence that the pandemic rages on, in concert with a growing number of other states Governor Cuomo is already proposing a plan to "reopen" the state, beginning with construction and manufacturing, as soon as May 15. Cuomo tweeted last week, "We believe NY is past the peak and we are now descending the other side of the mountain." The plan, which has yet to be described in detail, envisions the opening to be conducted in phases, by region, with "upstate" (i.e., outside of the New York City metropolitan area—the city and its suburbs) going first.

The infection and death rates upstate have in general been considerably lower than in the New York City region, largely due to the implementation of social distancing, the shutting of non-essential businesses and activities and lower population densities. Without adequate testing, contact tracing and quarantine of infected individuals, the proposed opening is highly likely to result in a surge of new cases across the region.

As the BCG report itself states in its legal disclaimer, "The COVID-19 situation is rapidly evolving, on a daily basis. This document represents one scenario based on discrete data from one point in time. It is not intended as a prediction or forecast about duration of lockdown; peak of viral infections; efficacy of government or health care responses to the virus; or other health or societal impacts…" Indeed, as the ramifications of the pandemic continue to compound, conditions are likely to be even worse. Nevertheless, the study is intended to assist the government in its drive to "reopen" the state's economy.

Based on the consultant's study, Budget Director Mujica states in his cover letter, "We are already taking the first steps to reduce spending impacting tens of thousands in the state workforce while planning for further actions. In the absence of federal aid, we will have no choice but to move forward with these devastating and unprecedented reductions."

Given that the multiple federal "bailouts" have so far been targeted overwhelmingly to large businesses, while millions of workers are losing their jobs and falling into poverty, and that the pattern is likely to continue under the government of the rich, states and municipalities across the country face economic collapse with horrific consequences for the working class. New York, representing 8 percent of US GDP, is but one of 50 states. Similar cuts will be made to social programs across the country.

Despite all this, the one unshakable principle that guides the actions of the ruling class and its minions in both parties and at all levels of government is that the wealth of the corporate and financial aristocracy is to remain untouched while millions face disease and death with an ever shrinking social safety net. Their only solution is to force people back to work, which will result in an even wider spread of the disease and an ever-mounting death toll.

The only way to avert this disaster is for the working class to seize the trillions of dollars hoarded by the financial elite and implement a socialist program for the benefit of the entire population.

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