

**3 COMPANIES**  
Some of the promises of change corporations have made to concretely serve the cause of social justice.



**4 TRADE**  
President Trump's overtures to China to buy more American agricultural goods did little to help farmers.

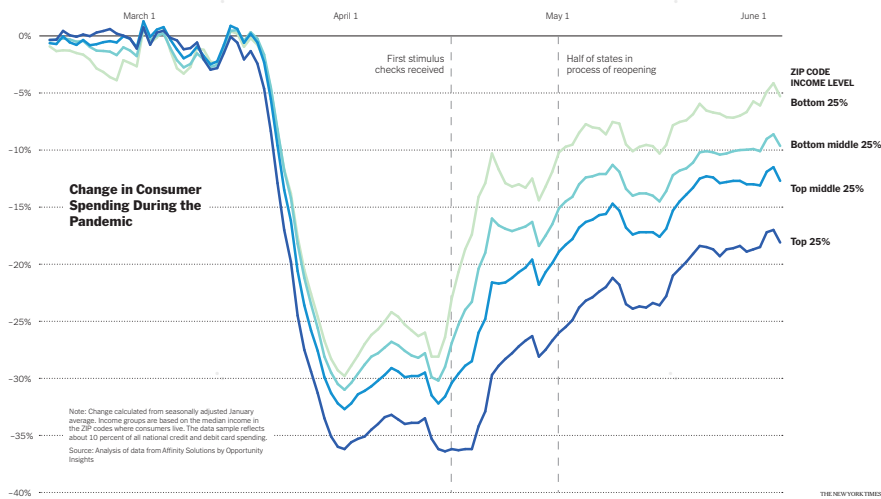


**8 SPORTS**  
NASCAR is heading to Talladega, where the Confederate battle flag has been an integral symbol.

# Business

The New York Times

## The Rich Cut Their Spending. That's Hurt Everyone Else.



The steepest declines in spending during the coronavirus recession have come from the highest-income places, leaving little to trickle down to service workers.

By EMILY BADGER and ALICIA PARLAPIANO

In the Manhattan restaurants around Lincoln Center, the tips often rose and fell with the changing playlist. A popular classic musical could mean more preshow diners, and more income. A more famous actress as Eliza Doolittle could do the same. The end of a big run, like "My Fair Lady," meant the opposite: Tips would be down for a while.

"We were dependent on how well shows were doing at Lincoln Center, and we really did pay attention," said Emma Craig,

who was a server at the Atlantic Grill a block away before the coronavirus crisis. She has not returned to that job yet, or to another singing at a private supper club downtown. In both jobs, she said, "I am dependent on the trickle down."

The recession has crushed this kind of work in particular: service jobs that depend directly on the spending — and the whims — of the well-off.

Economists at the Harvard-based research group Opportunity Insights estimate that the highest-earning quarter of Americans has been responsible for about half of the decline in consumption during

this recession. And that has wreaked havoc on the lower-wage service workers on the other end of many of their transactions, the researchers say.

"One of the things this crisis has made salient is how interdependent our health was," said Michael Steiner, an economist at the University of Toronto. "We're seeing the mirror of that on the economic side."

As income inequality has grown in America, so has inequality in consumption. That means that when the rich spend money, they drive more of the economy than they did 50 years ago. And more workers depend on them.

Put another way, this particular economic shock — one that has halted much in-person spending, even by rich people who never lost their jobs — has been devastating for an economy in which many low-wage workers count on high-income people spending money.

Mr. Steiner and the economists Raj Chetty, Nathaniel Hendren and John Friedman have collected data from credit card processors, payroll firms and other private companies tracking how and where people spend their money, and how businesses and their workers have been

CONTINUED ON PAGE B7

### Apple Plans To Break Up With Intel

By DON CLARK and JACK NICAS

OAKLAND, CALIF. — Silicon Valley is bracing for a long-expected breakup of Apple and Intel, signaling both the end of one of the tech industry's most influential partnerships and Apple's determination to take more control of how its products are built.

Apple has been working for years on designing chips to replace the Intel microprocessors used in Mac computers, according to five people with knowledge of the effort, who weren't authorized to speak about it. They say Apple could announce its plans as soon as a company conference for developers on Monday, with computers based on the new chips arriving next year.

Apple's move is an indication of the growing power of the biggest tech companies to expand their abilities and reduce their dependence on major partners that have provided them with services for years — even as smaller competitors and the global economy struggle because of the coronavirus pandemic.

CONTINUED ON PAGE B5

### Platforms Denounce Racism That Thrives There

Kevin Roose  
THE SHIFT

Several weeks ago, as protests erupted across the nation in response to the police killing of George Floyd, Mark Zuckerberg wrote a long and heartfelt post on his Facebook page, denouncing racial bias and proclaiming that "black lives matter." Mr. Zuckerberg, Facebook's chief

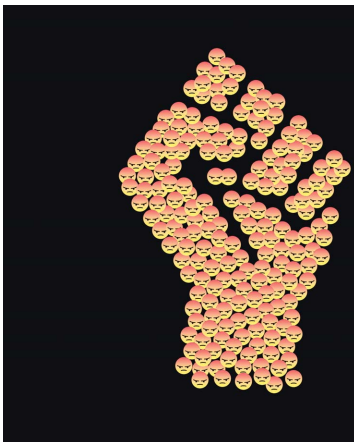
#### Provocateurs drown out other voices on social media sites.

executive, also announced that the company would donate \$10 million to racial justice organizations.

A similar show of support unfolded at Twitter, where the company changed its official Twitter bio to a Black Lives Matter tribute, and Jack Dorsey, the chief executive, pledged \$3 million to an anti-racism organization started by Colin Kaepernick, the former N.E.L. quarterback.

YouTube joined the protests, too. Susan Wojcicki, its chief

CONTINUED ON PAGE B5



MATT CRANE

### Fed Officials Underscore Serious Risks

By JEANNA SMIALEK

WASHINGTON — Federal Reserve officials warned on Friday that the U.S. economic outlook remained wildly uncertain, as parts of the country see a new surge in coronavirus infections.

"So far, in the United States efforts to contain the virus have not been particularly successful," Eric Rosengren, president of the Federal Reserve Bank of Boston, said in a speech on Friday. With the spread of the disease continuing "and the acceleration of new cases in many states, I expect the economic rebound in the second half of the year to be less than was hoped for at the outset of the pandemic."

But while the downturn could persist — or worsen — the central bank's vice chair for supervision, Randall K. Quarles, said the Fed would determine capital requirements — essentially the financial cushions that banks must keep to withstand losses — based on economic scenarios developed before the pandemic took hold. While the Fed is testing the strength of banks against multiple dire scenarios, it is also testing the

CONTINUED ON PAGE B4

## VIRUS FALLOUT

**'I am dependent on the trickle down.'**

Emma Craig, who was a server at the Atlantic Grill in Manhattan.



**'I'm not expecting much. I see a lot of doom ahead.'**

Patricia Namyalo, a furloughed restaurant worker in Washington.



LEFT, BENJAMIN NORMAN FOR THE NEW YORK TIMES; RIGHT, JUSTIN T. GELLERSON FOR THE NEW YORK TIMES

## Rich Cut Their Spending, and Others Feel the Pinch

FROM FIRST BUSINESS PAGE

afflicted as a result. By tying debit and credit card spending back to the home ZIP codes of millions of anonymized cardholders, they estimate that households in the bottom quarter of ZIP codes by income cut their spending by about 30 percent from pre-coronavirus levels at the lowest point in late March. Now, with the help of government stimulus, low-income spending is down only about 5 percent.

For the highest-income quarter, spending has recovered much more slowly, after falling by 36 percent at the lowest point.

"It's not just that it's somewhat bigger in percentage terms," Mr. Chetty said of shifts by the rich. "In absolute dollars, that's like half of the game."

The researchers point to several curious patterns tied to that fact: Unemployment claims have been high in rich counties that were largely immune to the last recession. And lower-income Americans living in those richer counties have been hit particularly hard. Their spending fell further than the spending of lower-income workers in poorer counties.

At the ZIP code level for small businesses, the steepest declines in revenues and hours worked have been in the highest-income neighborhoods. That's a pattern that can't fully be explained by differences in coronavirus cases.

In the ZIP code where Ms. Craig worked, near Lincoln Center, small-business revenue fell by 72 percent at the lowest point. It's still about half.

### Rare Service-Sector Recession

In past recessions, the service sector has been one of the most resilient parts of the economy. In this down, consumers typically cut back on big durable goods, like a new washing machine or an upgraded car. But while you can drive your car a little longer, you may not be able to stretch out your next trip to the dry cleaners for a year or two.

The restaurant industry has even been the place where laid-off workers in other parts of the economy have found work in the past.

So we have never seen anything that looks quite like this service-sector recession — one where the bartenders lost their jobs before the construction workers, where previously thriving restaurants and salons have experienced the steepest losses.

The service sector had also been expanding over time, replacing blue-collar jobs in manufacturing that were more stable and paid more. Especially in big, expensive cities, the vast service sector is now the place where the rich and the poor meet.

"What we've seen with rising inequality of the last few decades is that more and more modest-income individuals survive because

they're serving where the consumption has been," said Lawrence Katz, an economist at Harvard, who has reviewed his colleagues' findings. And that consumption, he added, has been in the hands of households at the top.

If we had this same kind of economic shock 50 years ago, Mr. Katz said, the magnitude of the ripple effects from the rich to the poor would have been much smaller. There simply weren't as many links between them. (Fifty years ago, the rich also couldn't have counted on working from home, keeping their incomes intact.)

Now, cities like Washington that were relatively unscathed by the Great Recession — thanks to their high median incomes and all their service jobs — stand to be hurt far more deeply in the coronavirus recession. Initial unemployment data bears this out.

Through April, Washington lost 10 percent of its jobs. During the Great Recession, the city increased employment by 3 percent.

San Francisco and San Mateo counties have lost 16 percent of their jobs during the pandemic, roughly in line with job losses nationwide. During the previous recession, those counties gained jobs while employment in the rest of the country fell 3 percent over all and nearly 5 percent in the poorest counties. Unemployment was even more uneven in the 2001 and 1991 recessions, with steeper job losses in poorer counties.

In other words, in good times — or even in more typical downturns — proximity to the rich affords lower-wage workers a higher degree of job security. In this peculiar coronavirus moment, that arrangement appears remarkably precarious, particularly for women and black and Hispanic workers disproportionately employed in the service sector.

"It's completely a house of cards," said Aj-jen Poo, the executive director of the National Domestic Workers Alliance. "So much of our essential work force that keeps us safe and literally has kept this country from collapsing are poverty-wage jobs that were completely invisible to most people before the pandemic."

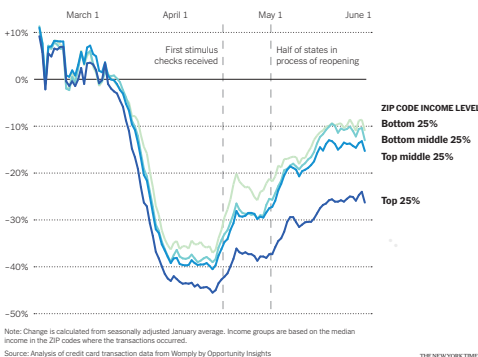
In the restaurant industry, the thread connecting the rich and the poor is clear: Higher-income diners hand servers their primary income.

"They are directly, directly, directly reliant on those tips," said Saru Jayaraman, the president of One Fair Wage, a group pushing to sub-minimum wages for tipped workers. "They are so at the mercy of those upper classes."

These workers have learned to be familiar with the rhythms of rich consumption. Bad weather — too hot, too cold, too rainy — means fewer tips. January and February, after the glut of holiday spending, bring fewer hours and

### Small Businesses in the Richest Neighborhoods Have Had the Biggest Drops in Revenue

Change in small-business revenue during the pandemic



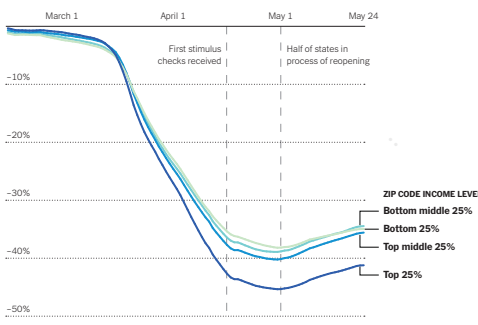
Note: Change is calculated from seasonally adjusted January average. Income groups are based on the median income in the ZIP codes where the transactions occurred.

Source: Analysis of credit card transaction data from Wimply by Opportunity Insights

THE NEW YORK TIMES

### Low-Wage Workers in the Richest Neighborhoods Have Had the Biggest Drop in Employment

Change in employment of low-wage workers during the pandemic



Note: Change calculated from January average. Income groups are based on the median income in the ZIP codes where the workplaces are located. The median annual income of the workers in the data sample is approximately \$25,000.

Source: Analysis of payroll data from Earm and Inreem data from Homebase by Opportunity Insights

THE NEW YORK TIMES

less money. For hotel workers, incomes are tied to convention season. For bartenders, it may be the theater calendar.

### Waiting for the Rich to Return

In recent weeks, spending by the poor has nearly rebounded to pre-crisis levels, thanks to federal stimulus checks — low-income consumption shot up after April 15 the moment they were deposited — and expanded unemployment benefits. But the jobs rate remains at its highest level since the Great Depression. High-income spending has been much slower to return. Some consumption has also shifted online, which doesn't help local businesses.

For Washington policymakers, it is hard to coax more spending out of people wary of leaving their homes, and to steer that spending to the businesses and workers affected most.

"If the underlying problem is that people are afraid of interacting in close proximity, and they're afraid of going shopping in certain ways, then the only way to get things back to normal is going to be to solve the public health problem," said Mr. Friedman, an economist at Brown and a researcher on the project.

That may mean expanding the safety net for low-wage workers, the researchers suggest, to help them survive until that moment comes.

Patricia Namyalo, a server in a hotel restaurant on Capitol Hill in Washington, is gloomy about what's ahead. She recalls when business began to dwindle in early March, before the city's shutdown went into effect, and well before members of Congress, who sometimes dine at the hotel, recessed for the crisis.

"There were days when we weren't working and had a total of eight tables come in for brunch," said Ms. Namyalo, a 38-year-old immigrant from Uganda. "And that's supposed to be shared among four people."

No one wanted to go home because, she was guaranteed \$11 an hour in her unionized hotel, and they had to keep those hours in an empty restaurant to make up for lost tips. In retrospect, Ms. Namyalo believes her customers knew what was coming. They were following the news from Asia, the headlines of Europe.

"The upper class was already aware that America was going to follow suit," she said. "And people like myself — I didn't quite get it at the time."

She suspects the same is true now. Higher-income consumers know they won't be back to their old levels of dining out or spending any time soon, even with all the talk of cities reopening. Meanwhile, lower-wage workers wait, hoping for the call back to work.