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Divided Government May Push the Fed to Go Bigger. Here's What That Might Look Like.

Gridlock in Washington doesn't seem to be going away, and a divided government probably won't be providing much more help to an economy still ailing from the coronavirus.

That's bad news for the growth outlook. After all, the economy is still about 5% smaller than it otherwise would have been, with roughly 11.6 million Americans still unemployed or underemployed compared with February. And while roughly 20 million Americans have returned to work since April, the recovery hasn't been enough to prevent millions of people being jobless for longer than 26 weeks. Moreover, many of those who have gotten rehired since April are nevertheless in a bad financial situation, given the low level of wages of the jobs that have been added and the depletion of household savings.

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