Digital Summit: Economic Policy Responses to COVID-19

March 18, 2020

Transcript

Jason Grumet: Good afternoon everyone, and welcome to the first BPC lightning-round brainstorming session. I have no idea who is on the line, so I will just say welcome -- this is Jason Grumet, I will be the master of ceremonies for the next 89 minutes.

Just to get us situated, I wanted to share a little about the ambition a week ago that caused us to suggest this idea. I assume that everyone else on this line involved in the policy debate has given the speech to staff and funders and themselves some time over the last couple of years that our moment would arrive -- that, while the policy environment was constrained and polarized, there would be a chance for public policy to, in meaningful ways, move forward, and we were going to be ready.

This is our moment that we've all been preparing for. And I was struck last week that it is happening at a time of incredible anxiety and disruption, physical and personal estrangement. And I actually heard people say that the government was moving too fast, which is a sentence that had not been spoken for at least the last 5 or 6 years.

So while the motivation for this is authentically to advance a public policy discussion, I have to admit that part of the motivation was to kind of be with my friends. We have organizations that compete for ideas and for talent and for funding -- but in a very fundamental way, there is a community of people who dedicate their careers and lives and weekends to try to think about how to make the country work better, and moments like this cause you to recognize that.

This seems to be a compelling notion, based on the 60 or 70 folks who are on the line, almost all of you in listen-only mode, which is none of our forte, and it pains me that Dr. Yellen and Sarah Wartell and Maya MacGuinneas and many others who I'd love to be hearing from are not going to be able to be active in this discussion, although I hope we will have another.

We have dual goals. The first is to basically be a Cheers bar for emergency economic intervention, and I think we will see as this develops whether there is an ongoing role for the discussion. We've also heard from Hill staff and some folks in the Administration that they're frustrated by not having avenues to be engaging and explaining what they're thinking and asking questions. So, again, if this were to move forwards, I could see us having opportunities to bring some of those folks forward. And then, of course, we want to advance some real ideas -- because, while I don't expect that at any moment we are going to have a shared joint position about anything, I think it's really helpful to get a sense of who's thinking about what, and at least enable in a more efficient way opportunities for follow-up going forward.

Just a couple of logistics: As I said, we've invited a small number of people, and there are a much larger number of people on the line. So, understand that this is a public meeting. I think we should all assume that all comments are on the record. Secondly, all of our speakers have agreed that they

are going to try to do something very unusual, which is to limit themselves to a single compelling idea -- among the dozens of compelling ideas that they could share -- and to try to do so in 5 to 7 minutes. We do have the Jaws music, so we will find some way to try to -- like the Oscars -- encourage people, if necessary, to wrap up their thinking. And then we'll have some chance for a little bit of discussion going forward. We are trying to perfect the art of virtual engagement with written questions -- we just are not there yet. But, again, it's something we're thinking about for the future.

Also note that the office is closed -- there are fewer than 10 people here, and in the conference room we're 6 feet and 3 inches away from each other. And I know you're all grappling with the same challenges, so I really do appreciate everybody, at this moment, taking a little time to be a part of the discussion.

And now, the technology will reveal itself. Our agenda, which we've shared with you, is loosely structured -- and I emphasize loosely -- on the notion that we will start off with some macroeconomic insights from 4 speakers; we will then talk about the small business challenge, which we anticipate is going to be one of the next rounds of stimulus; and then a couple of folks want to talk about some specific ideas around family and household impacts. So that is the general structure -- although a couple of people have emailed me saying they might want to change their best idea, so this is a dynamic process and we will follow the discussion where it leads.

So, first, a dear friend of mine and the BPC's, Matt Chase, who is the executive director of the National Association of Counties, and very much on the front lines of people grappling with this challenge, is going to share a little about what's happening at the county level, and offer an idea or proposal. Matt, the mic is yours.

Matthew Chase: Great. Can you all hear me, Jason?

Jason Grumet: Very well.

Matthew Chase: Great. Thank you to Jason and the BPC. We really love BPC and the role that you play. I'm going to use my time wisely. We are focusing on a theme called 'saving lives and restoring lives.' So, right now, as Congress has already pivoted to the broader economy, at the front lines of public health, we are really struggling to contain this pandemic. Our daily numbers that are coming in are showing a doubling of public cases pretty much every day. A lot of it is trying to balance what was already spread throughout the community, versus what are new cases. But a key problem that we are facing is that, since 2008, we've lost 60,000 public health professionals at the state and local level. So we are really stretched.

The big idea that we have is making sure we do not abandon the immediate surge capabilities that we need. So we are really way behind on testing -- both access to equipment kits, but also the data sharing. As private companies are coming in with their labs, the data is being put on Twitter or sent to the CDC before it's actually sent to local decisionmakers. So we are really struggling with real-world immediate issues -- let alone focusing on the broader economy.

I will tell you, probably every industry trade group is reaching out to us, asking counties to declare their industries as essential -- everyone from pallet manufacturers to pet stores to, of course, the railroads and the trucking industry. Just about every industry is knocking on our doors, asking to be exempt from city and county public health declarations.

We have 260 counties that have declared public health emergencies under their statutory authorities -- obviously, much more than states. But, in many states, the county actually has to make the call at their level.

So, what we are focusing on for today's call is: our social safety net was already maxed-out prior to this pandemic. Jason and I have actually talked about this over the last year: our mental health, our behavioral health, our overall support for lower-income, they were already maxed-out. Our data kept showing, even with a strong national economy, with the hollowing out of the middle class, the demand for local safety net services was at an all time high. Foster care, child protective services, elderly without access to regular nutrition -- this crisis is obviously just going to exacerbate it.

Respecting the time, Jason, we also at the county level are really dealing -- outside of how we serve our citizens -- have some really interesting dilemmas financially. One, our tax revenues, particularly sales tax, will probably plummet; our tourism taxes for hotels, rental cars, passenger facility charges at airports, obviously, will decline substantially. And a lot of these tax revenues are used to pay for multi-year bonds -- so 30 year tax-exempt municipal bonds. We are losing our tax revenue to pay back those long-term bonds. So we're going to have to work with the credit agencies to ensure that they're working with us. We have to pay our bond obligations first. And of course, with Wall Street having its ups and downs, our pension fund liabilities have just gone through the roof. And under many state laws, we have to pay pension liabilities before we can pay for regular services.

So our big idea would be we have to figure out this balance between not taking our eye off the ball on immediate surge needs while we pivot to the broader economy. And that's going to be a real challenge. You're seeing it in these Hill packages: We agree with all the needs for airlines, hotels, and others, but we can't abandon funding local public health right now. The $950 million in the first package is literally a drop in the bucket. To give you some context, and I'll end with this: King County, Seattle alone, the Seattle government, has estimated it's going to cost them an extra $100 million in their immediate response. I'll end with that.

Jason Grumet: Well, Matt, we really appreciate that to set the on-the-ground framework for us. And you also were exceptionally talented at coming in under the 5-minute mark, it's always good to have someone set the pace. So thank you for that.

As you can imagine, we are having a little bit of technical difficulty getting a couple of our speakers to join, so we're going to shuffle our agenda a tiny bit. If Jay Shambaugh with Hamilton Project is online, I'd like to ask you to talk a little bit more about the idea you have suggested for a fiscal response to the crisis.

Jay Shambaugh: I think I'm on the line and unmuted -- can you hear me?

Jason Grumet: Very well. Thank you, Jay.

Jay Shambaugh: Thanks. So first, thanks very much for organizing this and for asking me to be here on this call. I think, as people I think are getting a greater awareness, this is going to be a severe economic shock, and I think we need to treat it as such. Even if there was literally no health problem in the United States, just what's going on in the rest of the world would have been a severe

economic shock. And hitting pause on the economy, whether it's going to be for 2 weeks or 2 months, is going to be a very big drain on a lot of households and on the economy.

I was thinking I was going to come on after Jason Furman, because then I was just going to cheat and say I agree with Jason on everything he said about just sending checks. So I'll say that, and that way it doesn't count as my idea.

But one of the things that I really want to emphasize is that, as much as I love the format of one idea, whatever approach we take here is going to have to be very broad. Because anything we do is going to only touch certain people. And we're going to need a real package of support for the economy here.

Beyond sending checks to people, I think one thing I really would like to emphasize is the ability to use the safety net. The safety net's not going to catch everybody, and there are going to be millions of households who lose hours and tips and commissions, and that's why sending checks to everyone is a good idea. But the safety net is probably our most powerful way to get money into the most vulnerable peoples' hands quickly and effectively. And we know how to use it, and there are a lot of things we could do to use it better.

So, in phase 2, which still hasn't passed the Senate, they got rid of a lot of work requirements in SNAP, for instance. That needs to go through. I'm a little worried the Senate's going to skip a little bit of phase 2 -- sick leave and things like that, and work requirements -- and jump to phase 3.

We could make it a lot easier to get people onto unemployment insurance. Whether it's waiving the one-week waiting period, getting rid of search rules for people in quarantine zones, things like that. Getting people onto UI -- when people ask me what states can do, getting everyone who is actually eligible for UI actually onto UI is going to be really important. If you look at recipiency rates, they're way down over time. They're way down in part because states' trust funds are in trouble and they don't want people getting UI, because they don't have the money. But this is a point in time when we need to use the safety net, and we need to use that UI.

In fact, one of the most effective and quickest ways to get money to vulnerable households is simply to increase the recipiency rates, on the one hand, but also increase the payments. Under any theory of unemployment insurance, you don't want to give too much, because you don't want people to not search for a job because they're too comfortable. This is not the time when that's a problem. You should be giving people as much money as you think you should, and not worrying about the moral hazard. So I think that means increasing the payments to households that are on unemployment insurance; extending the timeline for unemployment insurance -- some states, North Carolina I believe cut it back to 12 weeks, that's [inaudible].

On top of that, you could do the same with SNAP, or what used to be called Food Stamps. So, extending the maximum benefit, extending it a lot more for families with kids who no longer are getting their meals at school, trying to take care of these households that we know are vulnerable, and we can use the social safety net to do it.

A crucial part of that, though, is going to be federally funding all of this. Anything you do to expand the use of unemployment insurance you're going to need to fund federally, because the states literally don't have the money in the trust funds, and they certainly don't have spare cash lying around.

And, in particular, if we try to use a more expansive use of what's called job-sharing -- that I think about 25 states have under their unemployment insurance -- where you could reduce everybody's hours to 20 instead of 40, and unemployment insurance would pick up that extra part, and that would be a really important part of keeping people from losing their jobs.

So, in addition to the safety net, the one thing I would add -- and this is part of it being both broad and sustained -- is all of these things should have triggers that kick back in over and over if the economy doesn't recover. So whether you're sending checks, doing unemployment insurance extensions, FMAP money going to states, all of these things should be on a rinse and repeat cycle where every three months, if the unemployment rate is still elevated, they keep coming back in. One of the real problems after the Great Recession was a pivot back to austerity too soon in the US and in Europe. We can't just pass things that are going to happen once, because this has the potential to be sustained. And so I would just close with that by saying that's really important.

And lastly, just to nod to our other speakers, anything we -- I won't try to go into these ideas, but -- there are ideas we can do to help small businesses with their payroll costs, and that would be really important to keep them from laying off workers. I'll turn it back over now.

Jason Grumet: Thanks, Jay. We are going to, I'm sure, have a little bit of a conversation about the interaction between direct payments and the UI, so I really appreciate you putting that on the table. And your closing thought about small business is a wonderful segway to our next speaker, Adam Michel, who is a senior policy analyst at the Heritage Foundation, and has been thinking and writing and talking about the next wave of this, since so many of our people who have been out of work are out of work from small businesses. I think many of us running NGOs are all of a sudden aware that we too are small businesses, and I think that is something that we'll be thinking about both selfishly and on behalf of the national employment trajectory. So, Adam, are you with us and able to jump in?

Adam Michel: I believe I am -- can you hear me?

Jason Grumet: Very well.

Adam Michel: Excellent. Well, thank you for inviting me. The one idea that I want to present is a fairly simple one, I think, and it's expanding access to net operating losses for businesses that need access to additional liquidity more quickly. The tax code generally allows businesses to credit their losses against their profits, and in normal times, this is helpful for -- you can think of a startup, which may have several years of losses before realizing any profit. So the tax code essentially allows them to average their profits and losses over a period of time larger than the standard tax year, by carrying their losses forward to years in which they have profits.

In the past, firms were also able to carry these losses back to previous returns, allowing them to receive refunds for taxes that they had paid previously. In economic downturns, this can function as an efficient way to get struggling businesses liquidity quickly.

Unfortunately, the 2017 tax reform restricted the access and use of net operating losses in 3 important ways. It denied carry-back, so businesses are no longer able to carry their losses back and credit it against previous taxes paid. Second, it limited carry-forwards for larger corporations, limiting it by 80% of their net income. And for smaller and mid-size passthrough businesses, it limited this loss carry-forward to $250,000 or $500,000 if you're a married couple.

My proposal is relatively simple: Allow businesses to carry their losses back for 2 or more years, and remove any restrictions on these carry-forwards. Congress could go even further by allowing these losses to be refundable, so businesses that don't have large taxable profits in the last several years can still benefit from the change. And if they wanted to, they could go one step further and allow businesses to continue to estimate the coming 2020 year's worth of losses assuming several consecutive months of disruptions, and make these projected losses also eligible for immediate refunds.

There's precedent for doing this. We expanded access to NOLs in past economic crises, most recently in 2009, expanding the carry-back from 2 years to 5. Expanding these net operating losses, I think, would be a good reform in normal times. But it's a critical reform today, in the face of an economic downturn -- giving businesses the ability to access the tax benefits that they would get in the future right now, so they can make ends meet. Thank you.

Jason Grumet: Thank you, Adam. Really good to get the tax code into this discussion. I think we're going to have a later conversation about what we imagine are the larger tax questions coming forward through Congress.

We are, as you would expect, somewhat opportunistic and nimble as our speakers join, plugging them into the agenda. I'm told that we have had Jason Furman join, and as he limbers up and gets a sense of this, I'm going to ask BPC's own Linda Smith to continue the focus on small business. Some of the most critical and vulnerable small businesses are child care. And as we all recognize as we spend hours on video calls with our pets and children, it is a challenge to both provide child care and work at the same time.

And I think Linda, who is now being dialed into the lens here, is now going to offer some thoughts about the child care challenge and a couple specific ideas about what we might be able to do. All yours.

Linda Smith: Okay, well thanks Jason. And I really want to thank you for including child care in this conversation, because it usually is forgotten until it's reached a critical point. So what I want to do before I reach my one idea -- which, I should say, has two parts to it, I just had to do that -- I want to talk a little bit about child care in America and what it looks like, so that our audience can understand what we're dealing with here.

Child care in America is a market-based system, mostly comprised of small mom and pops around the neighborhood, family child care providers, and some of them in the bigger chains like KinderCare and Bright Horizons. All of that said, we've known for quite some time that in the child care market, the business model just doesn't work. And as I say frequently, we have a broken business model in child care. And to prove that point, one of our sister organizations here in Washington, the National Association for the Education of Young Children, went out and surveyed members, and the response was that about two thirds of the current child care market is in danger of closing within a month of being shut down. So we have a pretty serious situation on our hands out there.

That said, this is only exposing what many of us knew about child care for a long time. And that is that we have a model where it simply costs more to produce quality child care than most of our customers, the parents, can afford to pay. We've all heard horror stories about child care around

the country costing as much as $20,000 for an infant in child care in some of our big cities, including here in DC. That said, our workforce is pretty much living on poverty-level wages. The average wage for a child care worker in this country is below $12 an hour.

So, with that said, what we have, I think, in this country right now, in terms of child care, is a disaster within a disaster. And so what are we going to do about that becomes the real question. In order for our families to go back to work when we get through this current situation, we really do have to focus on child care and get something done about it.

My one big idea is pretty simple. It's, as I said, a two-parter focused on Congress. As Congress moves forward in the next days and weeks, to look at the child care issue, the first thing we need to do is look at the disaster relief funds that are available through Congress already, and the small business loan process. Because both of those are not widely available to child care businesses. On the one hand, the Stafford Act makes funds only available for non-profits, and the small business loans are only available to for-profits. So our community is caught in the crossfire on that, and we would like to see Congress make modifications to make these funds available to all child care programs -- no matter what their status is along those lines.

The second piece, which is a focus on the demand side of the equation, is to get more money out there to help, especially when it comes to people needing to work on the front lines, for child care workers, health care workers, et cetera. And we'd do that through increasing funds into the CCDBG, the Child Care and Development Block Grant. And allowing, through changes to eligibility requirements, for more people to qualify for these funds -- to keep our health care and our frontline workers going.

And the second piece of that would be through the Child Care and Development Block Grant, to include some funding through the quality set-aside to allow states to basically preserve and protect child care programs through those quality funds, and shore them up in the short term to get us through this piece, and make sure that when we get through on the other end of this, that we have child care available so parents can go back to work. It's pretty simple: If we don't have child care, we don't do much work in this country.

So that's my idea. Thank you Jason, and thank you for including child care.

Jason Grumet: The notion that I could survive here at BPC, Linda, having not included child care is a great fiction. But I appreciate the enthusiasm as always. Jason Furman, have you found your way through the thicket and joined the call? [Pause] Is your mic muted? [Pause]

Alright, well, while we're figuring that out, I wanted to give our dynamic duo from Niskanen, Sam Hammond and Geoff Kabaservice -- have made it on.

Geoff Kabaservice: Hi, this is Geoff Kabaservice from Niskanen, I'm on the phone. Can you hear me?

Samuel Hammond: And this is Sam, am I coming through?

Jason Grumet: Terrific. You both are loud and clear, and you were going to share some broad thoughts about fiscal response. I don't know how you were planning to tag team, but the mic is yours.

Samuel Hammond: I guess I'll lead us in. So, first off, with the House paid leave proposal, there seems to have been some near-term unintended consequences. There's already early reports that some businesses are shedding employees under the belief that the mandate, which is only partially funded, that they need to basically shed these employees before the mandate comes into effect. And this is partly just a gross miscommunication about how the paid leave portion of the House bill actually works. But it brings up an important issue, which is that conventional fiscal stimulus aims to boost demand, and therefore boost employment -- but right now, the issue is frankly that we don't want people heading to work, and in that case need to have some form of incentive for labor hoarding. Some kind of credit for companies that retain their workers and do not shed employees, especially in the false belief that they're going to be suddenly liable for sick pay.

The second point I'd like to raise is that there's been an astounding level of consensus, particularly in the Senate, on the need for direct fiscal relief. And I just want to caution -- someone else said earlier that phase 3 stimulus risks overshadowing the importance of getting the House bill passed -- but going forward, there's also a risk that the debate over minor differences, distinctions over how the fiscal response is implemented, who benefits and by how much, will obscure the huge extent -- the unprecedented extent -- of at least directional agreement. So that's why Niskanen, you can find it on our website, just released a new commentary essentially calling for a consensus between proposals put out by, on the right, Mitt Romney, Tom Cotton, and Josh Hawley, and on the left, the Booker-Bennet-Brown proposal, and really trying to unite these and find the common ground between all of the proposals, rather than trying to make perfect the enemy of the good.

And, lastly, on the business side, there's a lot of open questions about how best to support businesses quickly. There have been discussions about using development block grants, which have precedent in disaster relief, like Hurricane Sandy, and in the post-9/11 context. But SBA loans shouldn't be discounted in this case. One of the biggest critiques of SBA -- especially 7a loans -- is that they can take months and months to actually process. However, the SBA has an express loan product which doesn't require review by the SBA, and traditionally banks can turn those loans around within 36 hours. So I think much needs to be done on that front, in essentially shifting the review process towards something more like the express loan process, waiving interest payments -- at least for the first 6 months -- and making sure banks are able to get loans, short-term liquidity lending, out the door to small businesses, with a much higher federal guarantee than is typical. Geoff, do you have anything to add to that?

Geoff Kabaservice: Let me just expand one point that Sam made, which is the idea of labor hoarding. The idea here is that companies would retain workers on the payroll, even when there isn't sufficient demand to justify their employment. And this obviously is good for the workers themselves, in the sense that they keep income coming in, and they don't lose health and other fringe benefits. But it's also good for the businesses, in the sense that they don't incur the considerable costs that come from losing workers and being forced to retrain new workers as well.

So labor hoarding is something we want to encourage, and it can be encouraged at the federal level through some kind of tax credit for employers who maintain their payroll at some stipulated percentage of the previous averages. Someone like Tim Bartik has, I believe, called for a 90% retention of the employment level at the last quarter of 2019.

The idea again here is to keep the money coming into this picture, and you avoid all of the considerable problems that come from workers losing their jobs in such times. I actually happen

to be reading a number of accounts of this, and self-reported happiness drops 10 times as much from a loss of a job as from a major loss of income. And long-term jobless men are 3 times as likely to be treated for depression as other men. So this is the sort of thing that we'd really like to avoid if possible in this coming recession, which may be moving toward depression levels.

Samuel Hammond: Right, and just a final point on this: This is really unlike any other crisis. It's not a normal recession, and therefore, while I strongly support cutting checks to people to hold them over, there's also a need to have fiscal stimuluses triggered not just if economic conditions deteriorate, but with a level of discretion from the Treasury to try to time stimulus for when we return to normal business conditions. Because right now, counterintuitively, a big fiscal stimulus won't really do much if we're enforcing mandatory business closures and quarantine measures. So we need triggers connected to economic conditions, but also to broader judgement that it is now time to begin ramping up for a recovery, rather than just linking it to, say, the unemployment rate.

Jason Grumet: I'm hearing some themes around triggers and sequencing, which I think we will come back to. I believe Jason Furman has now joined the line.

Jason Furman: I think I'm here -- can you hear me?

Jason Grumet: You are here. And, as I introduce Jason, who I think is known to you all, Jason sent me what I found to be the most delightful email in the last several days, which was late one night when I was in a grocery line, indicating that, while he had intended to talk about direct cash payments, he was growing more excited about the German direct lending programs. And I thought the words "excited about German direct lending" was something just suggesting that there will be normalcy again in the think tank industrial complex, and so I was just delighted by the note, and of course indicated that, Jason, this is a game-day decision, so your best idea is whatever's on your idea at this very moment, and I welcome you to share it.

Jason Furman: Great, Jason, thanks for organizing this, and sorry for my difficulties, and I will surprise you once again. I'm in favor of any argument for any idea that anyone's made. I am skeptical about any argument against any idea that anyone has made. I think, at a time like this, none of us have any idea as to what the timing of any impact of almost anything is, so we're taking wild guesses. So I'm all for the union of ideas, not the intersection of them.

I do think that -- and then I'll get to the idea -- that it is exceedingly difficult to design programs and implement them in the best of times. It is so slow, it is so cumbersome; I refer all of you to the Affordable Care Act site -- it wasn't just that it mis-launched, it was after it mis-launched, some of the best people in government in the country came in and spent 4 months to fix that website. Right now, people couldn't even be face-to-face with one another as they designed and implemented these proposals. So I just am erring towards as simple as possible.

I think everyone is familiar with the cash idea; I am one of many people that has talked about it. I think that is sufficiently appreciated; I continue to think it is a good idea, but I will reserve my time on that now.

I think the highest-value ideas are in the space of preventing people from losing jobs, as we were just hearing. I just am still not sure what it is I like in that space. 2 days ago, I liked German lending, where the government guaranteed 80% -- my thinking had trended up to 95% guarantee needed, now it's 100%. I think a loan has an advantage, also, that if we need to forgive it, we can,

but if it isn't as bad as you think it's going to be, we can get the money back. So it has, in effect, a form of contingency built into it.

What I am instead going to use whatever 2 minutes I have left is just to advocate for something incredibly simple, incredibly needed, and the thing I think is most under-appreciated right now, which is fiscal relief to states and localities. Each percentage point the unemployment rate goes up costs $40 billion in reduced revenue. The FMAP in the House-passed bill is well-designed for a slowdown in which the unemployment rate goes up by nine tenths of a percentage point. The unemployment rate could easily go up by 6 percentage points. That would be $240 billion of foregone revenue. The foregone revenue by states and localities is likely to dwarf the emergency addition to costs they're going to have as a result of this, but that is certainly going to be a large number as well. I've spoken to many state authorities and some local in the last week who have great things they can do, and ideas on the health side, on the getting ventilators side, on hospital capacity, on treating people, on helping small businesses weather the storm, on expanding unemployment insurance, on setting up meals -- go through the list. And there's terror about the fiscal constraints around that full set of activities. I think it's likely that states will need about $250 billion in the next year, and absent that magnitude of money, will have to curtail either emergency actions, education, police, or the like.

My specific proposal would be a large increase in Medicaid matching. Start with 15 percentage points, and adjust up as economic conditions warrant, on a state-by-state level. But that would not, by itself, be enough. In fact, completely federalizing Medicaid would likely not be enough.

So, in addition, I would potentially, tied to the unemployment rate, do additional federal funding for states that would be designed that if the unemployment rate went up by one percentage point, you got an additional $40 billion of relief, some of that from FMAP, most of that unconditional aid. This idea is not going to solve the problem, I think the solving the problem is in preventing businesses from laying people off. This is something that could be legislated incredibly simply, I'm sure would make a big difference, and it would actually help fund every other idea anyone's talked about, just implemented at the state or local level.

Jason Grumet: Thank you. And I really appreciate not just the idea, but also the focus on mechanism. One of the things that I know we're all focused on is this question of, once we get our aspirations together, once we get legislation together, once we get actual public policy, how do we actually flow trillions of dollars to hundreds of millions of people in ways that actually solve the challenges. So I think we will hopefully come back to that.

Matthew Chase: Jason Furman -- can you repeat where you got the $240 billion in the foregone state and local revenue?

Jason Furman: I've just done analysis in the past that shows that each percentage point in the unemployment rate is associated with a $40 billion shortfall. That's just at the state level. And so then I just said, if the unemployment rate goes up by 6 percentage points, which might be a good case, then 6 times 40 is 240. Could the situation now be different, because you're now losing all sorts of revenue on sales and the like -- so incomes actually are exceeding spending, so it's worse than that traditional rule of thumb? I think that's very plausible. $240 is not the best guess, that's just a perfectly plausible, maybe conservative scenario.

Jason Grumet: We're all doing a lot of napkin math.

Matthew Chase: Thank you.

Jason Grumet: We have between one and three more presenters, depending on who was able to join, and then we'll have a little bit of time towards the end to interact, and a couple of my colleagues might join me in asking a couple of questions.

So I believe that next in the queue is Nicole Kaeding with the National Taxpayers Union. [Pause] Nicole's suggestion was to delay tax filing, so the delay here might be part of her dramatic entry. [Pause] Has Elaine joined us yet? [Pause] Aparna?

Aparna Mathur: Hi, this is Aparna.

Jason Grumet: Hi Aparna. Thank you for saving our flow. As most of you know, Aparna is a scholar with the American Enterprise Institute, and I think was going to share some thoughts about some sick and medical leave issues that should include hourly and part-time workers.

Aparna Mathur: Thank you, Jason. Thank you, and it's been great listening to all of the presenters before this. I agree wholeheartedly that this is not going to be a one-off plan that has one big idea in it, that it has to be a multi-pronged approach. Even before the crisis struck, one of the areas I was working on was family and medical leave, and also the conjunction of that with sick days. And what's become increasingly clear over the course of the crisis is that the first initial impact was on workers who were unable to take that time off from work, either to get treated or tested or quarantine themselves.

So when you look at the statistics on who has paid sick days, who has access to paid medical leave, it's typically the most vulnerable, low-wage workers who don't have access. About 20% of workers in the bottom 10% of the income distribution don't have any paid sick days. And that, of course, has become very clear as we are hearing stories every day about how companies are either letting workers take unpaid leave, which means that they are economically insecure because they don't have a paycheck coming in, or they just don't have access to any paid time off, so they're showing up for work. And that at a time when we're urging people to stay home from work as much as possible -- to work remotely or quarantine themselves. It's just not acceptable.

What we see in terms of the proposal on the Hill that's doing the rounds, it talks about giving workers about 14 days of paid sick days -- so that's about 2 weeks paid sick days -- and about 10 weeks of medical leave. And there have been various versions of that -- some of that was initially paid sick and medical leave that would apply to workers broadly, even if they were providing care. The latest version I'm seeing, or at least that's under debate, says that the sick days would apply to workers who need to leave, but the medical leave would only apply to people who were providing care either to their children or someone else who needed it, and wouldn't really be available to people who need leave themselves. And I think that makes no sense. I think we need to allow workers who need to quarantine themselves, who need to get treated, that medical leave and that paid time off.

And so that would be the basic first suggestion: That just having paid sick days in there is not going to be enough. You're probably going to need longer leave -- that could be done through an additional paid family and medical leave package.

The ideal way to fund it -- what's being discussed right now is employer tax credits. And, again, while that's well and good, because as all of us realize, businesses are not going to be in a position to pay for this additional cost, especially with the recession looming on the horizon, but I still feel like employers -- even if we do it through tax credits -- that's only something that is going to come in much later in the cycle, that these are payments that are going to come to them much later, and if there is a way that we can finance companies right away, not just for unemployment, like we talked about and Jay talked about earlier, but even for the sick days and the medical leave components, if there are loans or some funding mechanism that can immediately provide that funding to companies that will allow workers to take that leave, allowing workers to take medical leave, paid time off, that would be a better idea than doing even 100% refundable employer tax credits.

The other provision in the bill is that this mandate would only apply to businesses with fewer than 500 employees. Again, we are realizing that this is not just a crisis that is going to hit small or relatively small businesses, but really will effect companies as a whole. So I really see no harm in, on an emergency basis, extending these provisions well up the ladder to those large-size businesses as well.

In the slightly longer run, figuring out, even for employees who take that leave but then have to be laid off, how can we use the existing unemployment insurance system to make sure that workers whose hours are reduced -- not just workers who face job losses, but who face significant cuts in hours which apply to gig workers and temporary or part-time workers -- how can we make them whole, how do we hold their wages stable through the crisis, which could be not just one month or six weeks, but two to three months or longer, how do we make sure our UI system is functioning. Working to meet that need will be really critical.

Here, again, the work sharing idea that's been discussed a lot makes a ton of sense. Workers are hit more when they feel like they're laid off, but if their hours are reduced, at least mentally, a lot of them might feel as though there's the option to at least go into work and get some paycheck coming in, that would be better than having nothing come in. Figuring out ways to keep employees on the payroll by federally funded payments or UI, shoring up the system, I think all of those ideas make a ton of sense.

A cash stimulus or cash transfer can work as well in helping workers feel whole, but I think the biggest issue right now is feeling that attachment to your job, and we need to figure out as many ways as we can to use the existing safety net to allow that to happen. I would really like a lot of our resources to be focused on that. Thanks.

Matthew Chase: Jason, could I ask a quick question or make a comment?

Jason Grumet: You can do a quick comment -- but we have two more speakers, I want to get to them, and then we'll have a little bit of a discussion. But if it's a real specific question, ask away.

Matthew Chase: Very specific. On the paid family and medical leave, it also exempts state and local governments and political subdivisions -- we're trying to get a handle on that. Two, if the think tanks could help us, from a state and local government perspective, we're struggling with the uninsured. We actually employ one percent of all Americans at the county level. What we are also thinking through is COBRA for those that are let go of the ACA, and understanding the ACA

employer mandates for health care. So if there are any think tanks that have expertise on that, we would appreciate it.

Jason Grumet: You are warming us up for the conversation that will begin in about 10 minutes. I think our last 2 speakers are both with us -- Nicole, do we have you on and mic'd up?

Nicole Kaeding: Can you hear me now?

Jason Grumet: We can hear you now. Thank you. So I think most of you know Nicole.

Nicole Kaeding: Great. Thank you. I'm glad we've figured it out now.

So first of all, let me say thank you for having me -- it's a great honor to be here with a number of folks whose work I've admired for many years. What I'm going to be talking about is delaying tax payments.

Now, things are moving very quickly in this space, and in fact, in the time we've been on this call, Treasury has actually issued some additional guidance in this area. But I want to work through why this is important, and then I'll quickly tell you why I think the Treasury guidance is actually falling short of where it needs to be.

Traditionally, I will admit that I have not been as receptive to stimulus as perhaps other folks on this call have been. But I do think this is a time in which it is imperative that we provide assistance to affected individuals and businesses. I think, of course, this recession that we are beginning to be in is very different from others historically. And, in part, I'm motivated by more of a moral obligation. We are asking individuals and businesses to shoulder an immense burden, and that is to close their businesses, to go home and leave their jobs. And I think that we have a responsibility to them to help them go through that.

And as I think about the various ways in which we can do that, obviously cash is one of the most important things that we can do at this time -- be sure that individuals can meet their obligations while working fewer hours or perhaps being laid off. And also businesses -- those who have shut their doors and lost a large source of their revenue, how can we help them?

And one of the ideas that came to me immediately was the federal government's ability to in essence pause or turn off tax payments. April is an important month to the federal Treasury. For the last several years, in March, the federal government has collected about $250 billion in revenue; in April it collected almost $600 billion in revenue. So it's an important month for federal revenues. For the individuals, it's of course the tax filing deadline of April 15. But April 15 is also the Quarter 1 estimated tax deadline for businesses. So not only do we have individuals paying their 2019 tax obligations, we have businesses paying their first tax obligation of 2020. So I have called on Treasury to delay Quarter 1 estimated tax payments. And then, due to peculiarities in the way we handle taxation, Quarter 2 estimated payments are actually due in June -- on June 15. So I think the Administration should delay those payments.

I think that has a lot of economic benefit -- keeping taxes with individuals and with businesses -- I think it also has logistical benefits too; obviously many VITA clinics, for instance, have had to close or scale down their operations. Many CPA firms or tax prep firms have had to scale down their operations. A number of federal employees are now teleworking, and the IRS is seeing its

workforce stretched thin. There's a benefit both economically -- keeping that cash in peoples' and businesses' pockets when they need it at this moment -- and also logistical -- allowing more individuals to shelter at home, and help limit the spread of the disease.

On Friday, the president announced his declaration that this would be a federal disaster, empowering various provisions under the Stafford Act. One of those provisions gives the Secretary of the Treasury the ability to delay tax filing and payment deadlines for up to 12 months. The secretary has exercised part of his authority here, and has announced that individuals can delay up to $1 million in tax payments -- partly, that's to ensure that many passthrough businesses can delay their tax authority -- and businesses can delay up $10 million in authority.

However, I do think that the secretary's guidance is a bit lacking. One, it only applies to Quarter 1 payments; it does not apply to Quarter 2. While we're going to delay the Quarter 1 payments to July 15, on July 15, the Quarter 2 payments would still be due as of this moment. Also, they have not waived the filing requirement -- so individuals would still need to file their taxes, they just don't need to pay any remaining liability, that puts more burden on low-income individuals, individuals that frequent those VITA clinics that have closed. I would like to see Congress go in and clean a bit of this up. Provide an automatic delay -- allow this delay of penalties and payments and interest to be automatic; individuals don't need to file for it. We can also just file automatic extensions for individuals that have not filed their tax liability by April 15.

And, related, I'd like to also see additional consideration given to the electronic signature of tax forms. Currently, businesses are unable to use e-signatures to file their tax forms, and that's presenting a challenge to many in this space who are having to overnight documents to each other's houses, because they can't just walk down the hallway as simply as before.

So I'm glad to see Treasury is making a step here, but I'd like to see at this point Congress now go and extend that. I think it's essential that we delay these obligations, at least for a few months to keep individuals and businesses with a little more cash than they had before.

Jason Grumet: Thank you, Nicole. That was exceptionally insightful and specific, and I have to think that if we do wind up both managing to get direct cash payment to people and delaying tax filing, Congress's approval rating could go from 9 to 16%, which would be a huge experience for American democracy.

Last but not least, following up on the tax theme, but in a more tax credit-focus-forward approach, we have Elaine Maag from the Urban-Brookings Tax Policy Center. Nice to see you, please wrap up the presentations.

Elaine Maag: Alright. First of all, thank you so much for allowing me here. I'm sorry I was late to join, I had another meeting. My proposal, I think, is relatively simple, and it shouldn't take too long. I have two first-order concerns, and these are: I want to get money to people who we know are vulnerable, and I'm trying to target an early payment that, in the end, might end up being just a boost. It's not mutually exclusive to any of these broad plans, but what I worry about is sort of Senator Rubio saying we're not going to be able to come back a million times. So I want to get extra assistance out to this vulnerable group before we run out of appetite. The two big issues are people are losing their jobs, of course, and all of these vulnerable people aren't able to keep up with their recurring bills. So I want a plan that is simple, and I'm looking for something that can

be done without getting tied up in a larger debate. So my proposal is to extend a second EITC payment to people who claimed the EITC in 2019 -- so they're filing their taxes right now.

Admittedly, I thought I could count on returns being filed by the middle of April, and most low-income returns already being submitted by now. So my idea was we'd already have the data, it would be pretty fresh, we would know their bank accounts if they're on direct deposit, we know where they live, so let's send out a second payment right now. This would provide about $70 billion of assistance, so it's small potatoes compared to some other things out there right now, and it's very targeted. It's these folks who are in the bottom 40% of the income distribution.

I would absolutely support eliminating the phase-in of the EITC and providing a maximum credit to those folks, and I would also support providing a substantial benefit to childless people and pretending a childless EITC existed that looked very similar to the one-child EITC. And that raises the price tag by about $45 billion. But it's all information that is on the tax return already, so the IRS presumably could just calculate that piece automatically.

The second payment that I'm advocating sending out delivers key benefits, it delivers benefits to this key group of people, many of whom we already know spent last year hurting in some way. So why focus on them? It's because, in my view, our normal safety net programs are already set up to respond to increases in need. So if you're a SNAP beneficiary and your income drops, you get a bigger SNAP payment; you become eligible for Medicaid; unemployment benefits start to kick in if you've lost your job. But the EITC, which is a key pillar of support for many families, it doesn't automatically respond to changes in income. In fact, the very nature of the program is a slow response, since we wait several months to deliver the benefit.

So if we instead extended a second payment, it would mean that people who have recently relied on the EITC will see an immediate increase in their benefits responding to this crisis right now. So, while people who were on the EITC in 2019 might become newly eligible for some of these transfer programs, they most certainly will have a delay in accessing them. So this quick cash payment could fill the hole as they transition to more traditional transfer benefits. And as the EITC often serves to pay off credit card bills for people who have gotten behind on things, this second payment could help shore up finances for people. It's a mechanism they're used to seeing, and it's a mechanism that we already know how to deliver the payment.

So that's the idea, and I look forward to the discussion.

Jason Grumet: Thank you to everyone who has participated. I can share the encouraging news that just about everyone who joined the call has still joined the call, so as a matter of people voting with their feet, you've all done wonderfully. We're now going to try to have a little bit of a conversation. I have a couple of questions; some of my colleagues do as well. But just to get things started, I wonder if any of our panelists have ideas to add, or thoughts or questions to pose to one another. And just speak your name as you ask your question, since not everybody is visible on every screen. [Pause]

Alright, so recognizing that technology can be a little intimidating, I guess I would try to start off with a couple of questions around this idea of direct cash payments -- which I think we all know is happening -- and I look to Bill Hoagland, who has come to terms with the fact that the deficit is not going to be high on anybody's mind for the next 72 hours -- I wonder if anyone can elaborate

on the mechanisms of the idea. The premise of $1,000 checks to every single person in the country has a certain simplicity and heroic efficiency; there are discussions about means-testing, there are discussions people mentioned about triggers, so this becomes sustainable. Jay, Jason and others have made this part of their remarks, and I'm wondering if anyone wants to add a little more detail on what they think will be the best approach.

Jay Shambaugh: This is Jay. I'm happy to speak, and happy to defer to Jason if he wants to hop in. If anyone's interested in the long form of this, in a book we put out last June called Recession Ready, there was a chapter from Claudia Sahm on basically this idea -- wishing we had set it up previously -- with automatic triggers.

Basically, the idea, especially in this instance: there are millions of households who quite simply aren't going to be all the way onto the safety net who could use help right now. They're losing hours, they're losing shifts, they're losing income, they're losing second job income. And all of these people are going to be struggling, and one way to help them is to send out money more broadly. There's a logic that -- in the research people have done -- this seems to be more helpful to people, people recognize it more, are more willing to spend it and change behavior if they get it lump sum than if they get it through dribs and drabs in a payroll tax cut.

I think the other reason the policy wonk community was more in favor of direct checks as opposed to a payroll tax cut is that the payroll tax cut is going to be tilted toward higher income people, just because it's helping people who have a higher payroll. I think that is the other real rationale behind it.

I think, in terms of mechanisms, it is tricky. I've heard claims from Treasury -- or from the Treasury Secretary -- that they can get this out very quickly. I think previous experience suggests that it may take a little while longer, and so I think that's one thing people are a little worried about, and maybe some of the urgency behind it is it's not just, once we say yes, the money is out the door. It can take a bit of time. But I think really the logic is there are a lot of people who are going to be hurting; we should do absolutely everything we can with the safety net, but that's not going to help everybody.

On the means testing piece, many people -- at least certainly I -- would say I think you can means test on the back end. Anything you can do on the front end potentially slows it down, whereas you can just have your 2020 taxes be slightly higher for people over whatever income cap you've got that you wanted them not to get the $1,000 check. You basically take it back a year from now, rather than worry about who's getting it immediately.

But I will add, as simple as it sounds, the administration of this is not trivial. If you want it to go to everybody, not everybody paid the IRS money last year, not everybody filed taxes. You need to try to bring in information from Social Security and from Veterans' Affairs, potentially from SNAP, to try to find households who aren't getting the money just because they didn't have a filing last year.

Jason Grumet: I had not heard the idea about the next-year clawback, which I think is really fascinating. Jason Furman or anyone else want to join the direct payment conversation or pose a question? [Pause] I also remind folks that your mics go to mute if you do not actively seek to speak. [Pause]

I want to move to another theme that we've talked about a bunch, and that is this notion -- talked about it a bunch is probably an exaggeration -- the idea that these policies could be self-actualizing, that they could correct for the uncertainty that I think we all know is roughly 100%, with either triggers or automatic payments. Congress has had a hard time with those ideas in the past, as much as they've recognized they're not going to be around -- the idea of putting something in motion that they don't have control over is something that has not been an active part of most policy regimes that I'm aware of. Are there any examples out there that anyone could point to that demonstrate the success of this possible idea?

Samuel Hammond: This is Sam Hammond -- just to point out that, under the Bush Administration, advance stimulus checks were sent out twice. Not anything in this magnitude of crisis, and I acknowledge the logistical challenges and difficulties. But there is precedent, and with the right emphasis and will, and trying to connect identifiers across different agencies, this should be possible.

Jason Grumet: Any other insights on this? [Pause] I'm trying to figure out what's the right amount of awkward silence in a video experience. In an actual experience, I only count to 4. But I feel like this is magnified. Bill?

Bill Hoagland: Jason, can I fill your void here for just a second and go back to Jason Furman's discussion? Okay, I'm an OK Boomer, so I was around and I remember the 1972 General Revenue Sharing Act, State and Local Fiscal Assistance Act, which we had called revenue sharing. I guess, Jason, you're talking about providing $240 billion, wouldn't it be easier for Matt's counties and states just to simply have a simple, go back to general revenue sharing, cut a check for each state to take care of some of those issues you mentioned that the states are dealing with? [Pause] No takers?

Jason Grumet: We will come back, I think, and follow up on a lot of these questions about mechanisms. I will note on behalf of Michele Stockwell, who is on the line and who leads our Congressional work, that the questions we are getting are not about intent -- I think, very much like this conversation, we are finding greater alignment about the goals and the appreciation that we are going to do things that will be both forceful and messy. The questions that are coming back now are, how? The difference between the imperative and legislative language, I think, is going to start to slow this process down, so one of the hopes that I have for this conversation is not that we'll be able to coordinate any sort of action, but that we'll begin to really drive those specific ideas into those debates -- and if anyone has questions about who's asking those questions, we'd obviously be delighted to help connect some of those dots.

Matthew Chase: Jason, just a quick -- Matt Chase from NACo -- I can't answer Bill's question exactly, but one thing I would ask for help, as you think about these mechanisms: What our public health folks are telling us is we don't have to just be worried about dying from these viruses; we have to think about how we live with them. And what they mean by that is we expect this virus to taper off in the summer. But, like our counties in California, for example, some of the bigger ones are already having teams think about when it comes back in the fall and next winter.

These viruses tend to ebb and flow, so we have to think about right now and helping the economy today and in the next couple of weeks, we think we'll have 2 to 3 months in the summer to regroup a little bit and get the economy going, but we shouldn't think that it won't come back in the fall,

like the flu and other viruses of these families. So as you think about the mechanisms, help us think about recurring, and things that will need to be repeated potentially over time.

Jason Grumet: An excellent and frightening point that I think we are all attentive to. Well, so, I just want to suggest maybe a couple of themes, and open up a couple of questions we can use following the call. And, again, I really appreciate everybody testing this out with us. This is an experiment in technology as much as anything else.

So let me just note a couple of closing thoughts. The first is that we have demonstrated the vastness of the challenge and its intricacies. We did not have the intention nor capacity to try to curate, but clearly there are a number of just absolute emergency interventions that people are interested in talking about. We've heard a number of ideas about interim -- I think EITC and tax delay as proposals that will provide potentially tremendous relief over the next 18 to 24 months. And then there is this idea of recovery -- this series of issues that, as many of you have pointed out, have been very much aspects of the frailty our economy over the last several years, that have now been highlighted -- and how do we deploy resources in ways that have lasting benefit. Many of you went through, in real-time, the stimulus in 2009, and I think there were a lot of lessons learned from that -- a lot of success, and a lot of cautionary insights that I'm hoping this community can try to bring together.

As I said in one of my original notes, in terms of next steps, we don't know. We did not have the hubris to pretend that we had a plan or trajectory here. We wanted to see if anybody was going to come to the party. It would really be helpful if, following the call, any of you had thoughts -- candid thoughts about, was this useful, could this be more useful -- please send a note. There are a number of exceptionally talented people on this call who were not able to be included in the agenda, but have indicated a desire, so I think once we get a little bit of crowdsourced feedback, we'll decide whether it makes sense to try to do something like this again in a week or so, and whether this format makes sense. The other thing is that the BPC is delighted to be a part of this process. We have no anticipation that we are the only organization capable of convening large discussions, so if other organizations want to talk about how we can do something collaboratively, or potentially trade back and forth, I think this is important to me that we can play a role in having this discussion -- both because I really do think it advances our thinking, but also because I think sustaining this sense of camaraderie at this moment of anxiety is important.

So, with that, I will thank everyone who joined, and, please, I encourage everyone to send us your thoughts really candidly about whether this was useful, and whether there are ways we might take good use of each other's limited time going forward. Thanks everybody. Have a good afternoon.