

## Digital Summit: Economic Policy Responses to COVID-19

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### Presentation Summaries

**Doug Holtz-Eakin** | American Action Forum

**The Case for Supporting the Airlines:** The airline industry is the poster child of the COVID-19 economic fallout: a previously financially sound collection of firms that has now seen nearly its entire revenue base evaporate. Another factor amplifying the need for aid: In normal times, passenger airlines carry about a quarter of commercial cargo. If planes stop flying, supply chains are disrupted. To keep planes flying and companies above water, the airline industry deserves support from the federal government. Bankruptcy is not an alternative in these circumstances: To preserve remaining assets, a bankruptcy judge would ground planes; none of the involved parties has a financial interest in keeping planes in the air, despite the fact that the broader economy depends on these flights to facilitate supply chains.

Read more: [The Case for Supporting the Airlines](#)

**Sharon Parrott and Bob Greenstein** | Center on Budget and Policy Priorities

**Next Steps to Support Families, Health, and the Economy:** In its next round of legislation, Congress and the White House must focus on four issues: health care coverage and funding; expanded access to SNAP; long-term financial relief and automatic stabilizer measures for families, governments, and the economy; and to which not enough attention has been paid, such as homelessness and housing. Finally, the importance of policy implementation cannot be underemphasized. At a time when many federal and state employees are working from home, high-quality implementation of new or expanded programs will be more challenging than ever. The Administration must ensure that everyone eligible for aid is able to access it -- by, for instance, allowing direct payments to be sent to people receiving SSDI and SSI who do not file tax returns.

Read more: [CARES Act Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed](#)

**Karl Smith** | Tax Foundation

**Preserving and Encouraging Business Dynamism and Innovation Under Quarantine Conditions:** Many have framed the federal economic policy response to COVID-19 as relief to freeze the economy until public health conditions improve. But there is a case for approaching policy from the perspective of stimulus. First, the economy is experiencing a severe demand shock in addition to a supply shock; second, supply is not fixed -- many firms in “essential services” and Internet commerce are expanding employment, such as Amazon, Walmart and Instacart. To

stimulate the economy, policymakers should look to expand touchless commerce and encourage entrepreneurs to develop solutions that allow economic transactions to occur even under several months of quarantine conditions. By promoting economic dynamism through stimulus and other methods, the federal government can spur the private sector to create new market relationships that can sustain people for as long as quarantine conditions continue.

Read more: [Essential Work Should Pay More Than Not Working](#)

**Sarah Rosen Wartell** | Urban Institute

**Supporting Renters and Stabilizing the Rental Market:** The CARES Act takes some steps to support renters and property owners in government-guaranteed markets. But more relief is needed, especially for low-income renters and property owners -- for the sake of both families and financial markets. This relief could be offered through a broad-based rent forbearance and mortgage payment aid. If renters are unable to pay due to COVID-19, rent should be deferred or forgiven. When that occurs, property owners should be granted aid, possibly in the form of a forgivable loan and support from Treasury, FHA and Ginnie Mae.

Read more: [We Must Act Quickly to Protect Millions of Vulnerable Renters](#)

**Andrew Biggs** | American Enterprise Institute

**Increase Unemployment Benefits to Fight a COVID-19 Recession:** The federal government must move quickly to provide economic relief. Proposals should be easy to administer and targeted to those most in need; an expansion in unemployment insurance benefits meets both of these goals. Wage replacement rates should be raised to 85 percent, and maximum weekly payment amounts raised to \$1,000. These changes will allow laid off workers to better maintain their standards of living, and will also minimize knock-on economic effects arising from, for instance, defaults on loans, rent or mortgage nonpayment, and reduced economic activity due to consumption cutbacks. The increase in benefits should be temporary, to encourage labor market re-entry once public health conditions improve.

Read more: [Boost Unemployment Benefits To Fight A Coronavirus Recession](#)

**Ben Ritz** | Progressive Policy Institute

**Provide Broad-Based Relief to Families and Businesses, and Target Need Through the Tax System:** As they develop relief programs, policymakers have debated whether to offer broad-based support or support which is targeted by need. They can do both by providing immediate broad aid and removing some of it from the economy in a targeted manner at a later time. This general principle provides a framework for current and future relief packages. For instance, lawmakers could provide a universal direct payment to individuals and families now, and recoup costs later through the tax code. The same approach can be taken with respect to business aid, through loans which are forgiven if certain conditions are met. Likewise, lawmakers' impasse over above-100%

unemployment insurance payments can be addressed by addressing over-generous payments through the tax code next year.

Read more: [Next Steps For Stimulus](#)

**Amy Liu, Mark Muro, Tim Bartik and Xav Briggs** | Brookings Institution

**Proven Channels to Provide Federal Aid to State and Local Governments:** State and local governments are on the frontlines of the response to COVID-19, and they are under enormous fiscal pressure due to increased demand for health and safety net services and declining tax revenue. Without massive and flexible federal aid, state and local governments will not be able to sustain themselves; budget cuts will only worsen the downturn and delay recovery -- particularly in regions which have been hit the hardest. Aid provided by the CARES Act and FFCRA is too small and inflexible to meet the challenges faced. First, the federal government should provide as much as \$500 billion in aid to state and local governments, and allow the funds to be used to fill budget gaps. Second, the federal government should more fully use its disaster response capabilities and expand the Community Development Block Grant program to marshal support to state and local governments. Third, to quicken the recovery, it should also provide support targeted to hardest-hit regions in the form of business tax credits to encourage payroll maintenance and expansion and regionally-focused job training.

Read more: [Stimulus Steps the US Should Take to Reduce Regional Economic Damages from the COVID-19 Recession, Federal Fiscal Aid to Cities and States Must be Massive and Immediate](#)

**Bill Hoagland** | Bipartisan Policy Center

Federal economic policy makers face two challenges. First, the tension between the appropriate public health responses to COVID-19 and the typical economic policy response to a recession. Second, the challenge posed by the mounting federal debt. As such, economic policy responses to COVID-19 should be timely, targeted, and temporary. The one-time direct payments to individuals and families included in the CARES Act will support households through the downturn. But should these payments be extended in the future, more should be done to target them to needy households. If it extends direct cash aid, the federal government could recover payments made to upper-middle income and upper income households through the tax code next year.

Read more: [Principles for Direct Payments to American Families](#)