Digital Summit: Economic Policy Responses to COVID-19

March 25, 2020

Transcript

Jason Grumet: Welcome, everyone. This is Jason Grumet at BPC. I'm told that you have the beautiful BPC logo on your screen, and my camera hopefully will start working shortly. But, in the meantime, I wanted to welcome everyone back to the second round of our dynamic discussion about saving the global economy. Many of you are recidivists, having joined our admittedly clunky first call.

And just to kind of set the table, we recognize that, until we have a somewhat more focused agenda, these conversations are going to be, obviously, hard to move in a serial fashion, but we have a tremendous number of enormously talented folks who have ideas they want to share. So we are treating this as the second crowdsourcing/brainstorming session, and then we will decide going forward if it makes sense to continue some rhythm of these discussions with a more focused agenda. We got a lot of really positive feedback about the spirit of the exercise, and the extent to which people are just enjoying the opportunity to, in real time, share some thoughts together.

So I think we will jump into the agenda now. Like the stimulus itself, this is something of an experiment, so we will try to do a couple of things today that are different. We do have about 9 different speakers, who are going to be offering some thoughts. Again, everyone's going to try to offer 5 or 6 minutes of input. We are then going to pause after each presentation and at least allow the speakers who are mic'd -- sort of our virtual panel -- to interact. We also have a chat feature that I will explain after Doug's presentation concludes.

And, with that, it is a pleasure to ask Doug Holtz-Eakin with the American Action Forum to lead off. Doug might be talking about the case for supporting the airlines, but things move so quickly, a number of our speakers are going to be workshopping new ideas as we go. Doug, the floor is yours, and thanks for joining.

Doug Holtz-Eakin: Thank you, Jason, and thank you everyone for taking the time to do this. I am going to stick to my assignment, which is to talk about the case for supporting the airlines. The airlines are in many ways the poster child of this crisis. They were perfectly sound businesses that were in great shape. And then, when the virus hit, their customers went away and their revenue dropped precipitously, and they're in terrible financial shape. And they have a lot of company in that regard.

What makes the airlines different is that they're an important part of the supply chain. And this crisis is in part a supply chain crisis -- we've seen closures of factories, closures of whole states. We've seen people out of work because they're sick or taking care of those who have been sent home from school or are sick themselves. So we've had a big disruption of the capacity to deliver goods and services, and to exacerbate that problem by grounding the airlines would be a tragic error.

Passenger airlines carry about a quarter of all the cargo. The reason you have to pay so much to check your bag is that they don't want your bag down there -- they want to put down there medicines. So they don't want your bag down there, they want the cargo down there. And that's an important function that they have, and it's important to keep them flying for that reason. As I say this, we're seeing the Congress about to vote -- we think -- on a measure that would include substantial support for the airlines -- at last report, $25 billion in grants and $25 billion in loans. I think that's exactly the right thing to do.

Let me say a couple more things: A lot of people have suggested that they don't need a "bailout" -- I don't really like that term, since no one did anything wrong here, these were sound businesses that just simply were hit by the virus -- but instead would argue they should go into bankruptcy. In normal circumstances, I'd think that's the right way to go. Typically, in bankruptcy, the planes keep flying, because everybody has a joint interest in the revenues. The bankruptcy judge wants those planes in the air so he can get revenue to satisfy the creditors to the greatest extent possible, and so you see the planes flying all the time.

But the planes aren't going to fly now: No one will get on them. We have 15 or 16% cutbacks in their route services; we still have 20% capacity on many of those flights. As a result, they're losing money, and the judge would ground the planes to preserve what little assets they have left. That would be, again, the last thing we want to have happen here. So this doesn't look like the normal bankruptcy, because it's not in normal times. And that makes the case for supporting them even stronger, I think.

The last thing that's come up, which I view as entirely tangential, but gets raised all the time, is: why should we give these guys money when they weren't smart enough to hold onto their money and instead did stock buybacks? This sounds to me like the worst kind of Monday morning quarterbacking: You should have known 5 years ago that the pandemic would hit, and built up a large enough surplus to survive it. (A) There was no way to know, and (B) they wouldn't have built up a large enough surplus to survive it in any event. So it's really a red herring from the core issue of what should we do to this industry that has an impact beyond itself to the larger economy? The thing we want to do is the thing that's best for the welfare of the population, which is to make sure it keeps flying. And that's the case for supporting the airlines. Thanks, Jason.

Jason Grumet: Alright, thanks Doug for leading us off. We have about 50 folks online, so I want to just talk technology for a second, then kick a question to Doug. In the upper-right hand of everyone's screen, there are a bunch of logos. One looks like this. It is the chat feature -- I'm doing something wrong, according to Andrew. It's upside down. Welcome to [inaudible]. It looks like this -- thank you, it's good to be king. So, if folks click on that feature, you'll have the opportunity to enter your name, and you'll also have the opportunity to type a question. We will be able to receive those questions, post them, then, if we're really going gangbusters, actually, in real time, share them with our speakers. We may collect them for a bit of a conversation at the end. It'll be so cool if that works. We'll see what happens.

Doug, my question for you -- then I'm going to turn it over to the other folks who have live mics -- there was a very, very big discussion about, should there be strings attached to these resources -- which I think is a question that is going to keep going. I think a lot of folks felt like the -- let's impose CAFE standards on the airlines was jumping the shark a bit. But how do you imagine the

process goes forward now, assuming the Senate actually does act? Do you think of this in the same way that the auto industry relationship with the government changed so much after the 2010 -- I wouldn't quite call it a bailout -- it was more of a bailout than this. What was your sense of that debate, and do you think that's a valid discussion that's going to keep happening or not?

Doug Holtz-Eakin: One thing about that debate is that we've had it before. After 9/11, airlines were grounded, and we came up with a package of grants and loans for the airlines. And along with it came some strings, in the form of a board that supervised the distribution of the loans and loan guarantees, and attached strings to those distributions. My colleague Gordon Gray has a great paper on this; I encourage you to read it.

In the past, we've had the precedent that you don't just get the money and do whatever you want. You had to satisfy this oversight board. In this case, we don't appear to be creating a board, but there are going to be some strings attached. That's both a specific thing to the airlines and a general issue with what we're going to see with this recovery package. I personally think there is nothing wrong with making it a little bit painful to get government money to run your business. That's not how we like people doing things, and I don't have a deep aversion to having some requirements attached to the money that's going to go to airlines, to defense-related industries, to small businesses to big business. We're going to give out a lot of money.

I do think it should only prevail for the duration of the loan and the crisis. I don't think you should be doing permanent legislating of fundamental policies in the midst of a crisis and as a price of getting the loans. That's a mismatch that I don't like. But there are going to be some stipulations, probably no buybacks during the course of the loan. That'll be fine.

Bill Hoagland: Doug, could I ask a question? This is Bill Hoagland. I agree with you that the airlines didn't do anything wrong. But how about the producers of airlines -- Boeing?

Doug Holtz-Eakin: Well, if you have a gripe with Boeing's past behaviors -- whether it's the 737 or anything else -- I think that's an issue for the safety regulators, that's an issue for them to either punish through fines or something else. I don't think it's a reason to deny them the access to a revenue source that keeps their employees at work getting their paychecks. And it's not about Boeing, or about United, or about any of these particular companies. It's about the workers who work there, and the need to protect them during the course of the pandemic -- ensure that they continue to get paychecks, which is the most efficient way to support the households that they live in. So I really don't think you should qualify Boeing.

Jason Grumet: Any of the other speakers have questions for Doug? There's one or two written ones I'll pose in a moment.

Alright, Doug, I'm going to convey a question from Jason Fichtner, who's a fellow here at the BPC. And Jason's question is whether the federal government's financial coverage should be equal to the operating expenses or a number of months, or just try to cover payroll. How do you think the flow should match the need?

Doug Holtz-Eakin: I think the primary need here is to make sure the workers stay at work, and that the infrastructure of the business survives the pandemic, and we can then think about how we're going to restart commerce in an effective way. My instinct is that you should do the

payroll -- a lot of the other operating expenses, whether it's rent or interest on loans for airplanes, things like that, is going to be deferred as a matter of course anyway, and that the government doesn't need to pick up those costs.

Jason Grumet: Okay, so we have a question from Greg Rosalsky with NPR Planet Money, which is kind of broadly relevant to a lot of speakers. So I'm going to hold on it for now, Greg, and let a few other folks engage. Then we're going to put that to the group.

Doug, thank you for getting us off the runway, so to speak.

Next, we have two good friends from the Center on Budget and Policy Priorities, Bob Greenstein and Sharon Parrott, who have a tandem presentation they are going to share with us. I'm not sure, Bob or Sharon, who's taking the lead. But the mic is yours.

Sharon Parrott: Great, thanks. This is Sharon. Hi everybody, it's nice to be with you.

I just want to point out that the current package that the Senate is working on is not done. There's some language in flux. So I'm going to preface these remarks by saying I might have different things on my list, depending on where the ultimate language comes out. But I think we have a pretty good idea of where things are going to land.

The basic structure of the package are large, one time stimulus payments; a significant expansion in UI, both on the eligibility and on the benefits side; funding for hospitals; funding for a number of current programs, like child care and homelessness programs that can assist with the immediate response -- there are existing programs that can expand to meet greater need. And then there are the big buckets of dollars, one around particularly small businesses, and one around some broad new authority for Treasury and the Fed around loan, loan guarantees, and equity investments to try to shore up businesses.

Assuming that that is where the package actually lands, I want to talk briefly -- I won't go in depth on any of these -- about four things I think we need to focus on when we think about the next round of legislation. These are four things around helping struggling families and states -- which is also related to helping struggling families -- I'm not speaking about other things that might also be needed.

So if I think about the four things, one is health care. It's actually quite striking that neither the C2 legislation -- the last package, the Families First Coronavirus Response Act -- or the package that we're working on right now, neither of those really do anything on health care coverage. So we're going into a period where we're likely to see increases in the ranks of uninsured at precisely the moment you would not want to see more people without coverage. As you all probably know, the House put out a package -- it won't get considered now, the Senate package presumably will get agreed to and then taken up in the House. But the House put together its own package, and it has some quite strong provisions around health. I won't go through those, but in broad strokes, I think the things that it will take to try to expand coverage relates to increasing further the share of Medicaid that the federal government pays for, in order to stave off state interest in cutting Medicaid programs; new incentives for states that have not adopted the Medicaid expansion to do so, so we get far more low-income adults covered; and some changes and improvements in the premium tax credits that help people afford marketplace coverage could really help as people lose jobs and need to transition to marketplace coverage.

I'll just underscore again that this is an extraordinary time, where we have a pandemic-induced economic downturn, and not doing things to expand coverage is going to mean that more people don't have health care coverage at a time when they need it most. So I think one big focus will need to be on actual health care coverage.

The second is the SNAP program, what we used to call Food Stamps. This package, in the end, does not include any increase in basic SNAP benefits. This was something we did in the Recovery Act during the Great Recession; we raised basic SNAP benefit levels. And the results are quite remarkable and strong. They staved off increases in poverty to a very large degree during the Great Recession, when looked at using broader measures of poverty. We also have evidence that they kept food insecurity from rising -- we actually made a little bit of progress on food insecurity despite the recession. And that benefit bump was also quite effective at generating overall boosts in consumer demand -- so it was an effective stimulus. That was in play in this package. As far as we know, it did not make it into the last package. It is a really important support for people when they're struggling with lower incomes.

The third thing I want to talk about is that I think the next package will need to have a longer-term focus. We will have dealt with at least some of the really important near-term issues. But we really haven't built anything into the current package that the Senate is working on that has relief measures that will last for the duration of the downturn. We don't know how long the downturn will last, but there's a pretty big concern that unemployment's going to go way up, and that it may not come down super fast. We don't have a lot of experience of really deep recessions and steep recoveries. So the UI expansions, the fiscal relief that's provided to states in the bill, those things are all relatively short-lived, in terms of -- they go through the end of the year, they last for some number of months. The increase in basic UI benefits is a 4 month provision, but there's nothing coming behind it that says, if economic conditions stay down, if the economy remains in recession, that a set of things kick in automatically or are maintained automatically. So just as an example, I think the next package is going to need to grapple with what is our stance on UI, what expansions do we need to keep in place as long as economic indicators show that the economy is still in a negative posture?

Similarly, this package will include some fiscal relief for states, we believe -- there are still details that have not yet been locked down on how the relief to states will work. But, again, I think it will not be a permanent -- not a permanent provision, but it won't be a provision that provides fiscal relief as long as the economy remains in a recession, but rather a chunk of money for a fixed period of time that may well not be enough, particularly for a recession that drags on any length of time at all. So I think this forward-looking, longer-term question will be really important in the next legislation.

Then the fourth area, just briefly, is that there are going to be areas that we turned out not to have provided enough money for. I think there are real questions about what it's going to take around homelessness -- both to prevent homelessness from rising and serving individuals experiencing homelessness in the midst of a pandemic. We may not have done enough there. There are going to be areas like that where we're going to have to come back.

The last thing I'll say is that while legislation needs to be an important focus, I want to put a plug in for implementation. Implementing the package that the Senate has put forward is an enormous undertaking. For any of you that were involved in implementing the Recovery Act, imagine

doing the Recovery Act during a pandemic when most people are teleworking and much of the country is shut down.

So there are lots of choices for states to make on various provisions, there are lots of provisions for the federal government itself to implement; it's a very difficult time to do big new things, and this is a lot of big new things all at once. And so I would just urge that, when we think about what's next, there's a legislative piece that will be super important, but there is also this whole question of implementation and how that goes. But I'll stop there.

Jason Grumet: Well, thank you Sharon. Really a great opening to the next several months. We are, of course, thinking about CV4 while CV3 hangs in the balance. Bob, did you want to add anything to Sharon, or should we open it up for a couple of questions?

Bob Greenstein: I would open it up for questions.

Jason Grumet: Alright. Well, I have one, but I would like to see if any of the other panelists want to jump in first. Alright, so, Sharon, a question to you, which is something we're thinking about a lot here at the BPC is what kind of data are we going to have access to, in order to start to answer in real time those questions you're raising? I think we can know for certain that this piece of legislation is going to be a big mess; a lot of pieces are going to not work well, some are going to be inadequate, some we will want to extend. Have you thought at all about the process of bringing that kind of, at least, organized anecdote forward to the discussion as Congress comes back, probably in early May with the intention of another big piece of legislation?

Sharon Parrott: That's a great question. First of all, I just want to say that, maybe it's just my need to get through the day, but I'd like to think that many of these provisions are going to work. We need them to work. So I hope that what we get out of this is not that the whole thing is a big mess.

I do think some of these things we have some experience with. We're pretty good at doing stimulus payments. I think the big open question there is how many people will the Treasury decide have to file a return, when they have no other reason to do so, and how good of a job we do at getting people to file returns.

I think, on the business side, again, I defer to others who know those areas much more. I do think there are enormous implementation challenges, particularly on the small business paycheck protection piece of it. And so that will be important.

Look, I think a really big, important thing is what happens on UI implementation in the first month. Those UI provisions are the thing that are going to protect a tremendous number of workers that have lost their jobs. I think tomorrow, we will see claims for unemployment go way up. I think we have to be realistic about how quickly states are going to be able to process those applications and figure out the new pandemic unemployment assistance eligibility. But that is going to be largely a state -- states are going to do that. I think it's going to be hard, but it's enormously important because that's how people are going to keep paying their bills, and that's how they're going to be ready to engage in the economy when things reopen.

So in terms of data, I think a lot of it is going to be monitoring and implementation on the UI side in states. Are claims getting processed? Are people getting the benefit bump that is included

in the legislation, and are the eligibility expansions something that workers in the states are able to implement quickly? I think that will be enormously important. I think that will not be about data that gets so much -- some of it will be about data, because we'll be able to tell, not just claims, but who is receiving unemployment benefits, but I think a lot of watchdogging is going to need to be done by people on the ground in states.

Jason Grumet: Thank you, Sharon. Doug, are you leaning in?

Doug Holtz-Eakin: Yeah, I just have a question. I'm curious how you think about the role of these two paid leave programs that were in the Families First legislation that the president's already signed into law. Those were fairly novel; I think they raised a lot of these questions that Jason just did on tracking them and seeing if they're working effectively or not. But I also wonder where they stand now that, as a small business, I can get a paycheck protection loan, keep that person on the payroll and not have to be paying them anyway, and then that loan will be forgiven. So I have a big incentive to do that. Is anyone going to take those leave programs? How should we think about them?

Sharon Parrott: The leave programs are really about people who aren't able to work -- so they would stay connected to their employer, but they would have leave. So, for example, the big expansion is in -- there's the paid sick leave, which is 10 days of paid sick leave, and so that's people who get sick, or people who are caring for someone who's sick, and you can also use it if your kid's school is closed.

But then there's the 12 weeks of paid emergency family leave. And that is really about people who aren't able to work because their kids are out of school. And there's a bunch of equity issues, by the way, in that, because it applies if you have a kid who's not in school, but it doesn't apply if you have an adult dependent child who can't go to their adult day program anymore. So there are big equity issues across.

But I think the difference, Doug -- and I'm not 100% sure, actually, how the two are going to work together -- but I think the difference is those are people who are going to stay on your payroll, right? But they are now taking leave, so they aren't working, as opposed to people who are on your payroll and are still working. But you're right, I'm not sure how the two work together. But the paid leave is about the group of people who are on your payroll but not able to work because of very specific circumstances.

Jason Grumet: I think the interactive effects here are going to obviously be a focus for our community over the next 10 days to 10 months. Bob, share your thought, and then I'm going to ask our next speaker to jump in.

Bob Greenstein: I wanted to underscore something Sharon talked about, and where maybe some of the people on this call can help. I don't know how my email address has gotten out across the country, but I'm getting a lot of emails, heartbreaking emails, from low-income people who are seriously disabled and are on Social Security Disability or SSI, and they're all asking the same question. They're saying, I'm seriously disabled, I'm home because of the pandemic, I can't get around much anyway. I don't file a tax return, how do I get a stimulus payment? And, as we understand the language -- let me back up. As Sharon can explain, it is eminently doable for the federal government, because we're talking about Social Security numbers. They can match

people on Social Security and SSI against those who have filed a tax return, identify those who haven't, and send them a check. They don't need to make these people file a tax return. But the language is permissive, not mandatory, and I was just looking 10 minutes ago on the section-by-section that Senator Grassley -- the Finance Committee -- put out, and it implies that no one who has not filed an '18 or '19 tax return gets the stimulus payment -- meaning these people would have to file.

So what do you do if you're a seriously disabled person, you're at home, VITA sites and H&R Block are closed, you may not even know you have to file a tax return? So we're hoping that a number of us can plead with the Administration and Treasury and IRS to just do a simple data match and send these people a check, rather than making -- and we're talking about significant numbers of highly-disadvantaged people -- missing out on the check because they don't know where to start in filing a tax return that, as a number of these people are saying to me in emails, I haven't filed a tax return in years, I haven't been able to work in years, I'm seriously disabled, I'm on Social Security DI.

Jason Grumet: Bob, I think it's an obviously compelling question or you would not have raised it. And I doubt anybody has an immediate answer, but it's possible that Karl Smith with the Tax Foundation, who's next in our queue, might have a thought or two to share. I also want to note that one of the main purposes of these discussions is to elevate these kinds of questions that hopefully get us thinking more together, and also enabling some follow up work. But that's clearly high up on the list, Bob.

So, Karl, with that strained effort at graceful link, are you with us? Karl, I think you may be on mute.

Karl Smith: Yes. I don't know if I have a solid answer to that question. But I want to talk a little bit about the narrative around stimulus, or the narrative around the Senate package. I think there's a lot of talk -- Jim Tankersley just had a piece this morning, and I hear this from other economists -- that we should just think about this as relief, as something to hold people over, hold businesses over; we shouldn't think about it as stimulus, and it has no aggregate demand effect, or aggregate demand is not important to think about here. And there are some parts of that narrative that I agree with a lot -- Larry Summers said economic time is stopped, but not financial time, and I think that's important. Obviously, people still have payments to make, and we need to take care of that. We obviously want to keep businesses intact so we don't lose valuable productive relationships.

But I think there's also a case for pure stimulus, and in that vein, some of the typical types of things we do for stimulus -- sending money to people even if they're not necessarily in need, or aggressive quantitative easing -- that we'd just think about as pure stimulus.

I think there's two bad assumptions that underlie the notion that this is merely relief. One is that this is just a supply shock, or that we should think about this as a supply shock. And the second is that after the supply shock, or during the pandemic, during the quarantine, supply is fixed at this lower, shocked level. And I'm not going to spend too much time on the first; I think the second is more important. But I would just mention that I think there's overwhelming evidence that it's not primarily a supply shock: inflation expectations are falling; liquidity is drying up in financial markets; we see layoffs occuring ahead of when the lockdowns are occuring or when

businesses are being forced to close by governments. And causal empiricism says the effects of the spike in uncertainty are bigger than the effects of people purposefully distancing from either the CDC guidelines or their state and local guidelines. We don't see people treating this as a vacation -- we see some people, but not most people. And we don't see people saying that it's just not worth it to work because the virus is out there -- there are obviously people saying that, but there are people who want to work, but they can't. So I think there's overwhelming evidence that the demand shock is much larger than the supply shock.

The other, more important assumption is that supply is in some cases fixed, because we don't want people to work -- we want people to stay home; that's important for fighting the pandemic. Where I push back on that is that essential services are open everywhere; delivery businesses of all sorts and types are open in most places; there are some parts of the country where there are very few restrictions; there is, I think, a coordinated thinking from the White House, from New York State, from other places, that there will be a phased relaxation of some of the pandemic restraints. So we have the opportunity for some people to go back and work, and we also see that essential services are expanding employment -- like Instacart is looking to hire 300,000 people, Walmart 150,000, Amazon 100,000 -- and I think that those obvious grocery delivery services are first, but they're not the only thing you can do under a sophisticated quarantine.

I think expanding the touchless economy, as you might call it, to all sorts of goods and services is potentially there -- entrepreneurs can do that. Things that have been talked about is like sanitized transportation -- so can we have cars that are sufficiently sanitized that people feel comfortable going in there, so Uber and Lyft, and those sorts of things. Can we have socially-distant-compliant day care? Obviously we have a very big child care problem, but as we get people through who have antibodies for the virus, can we get daycare solutions for people that would be socially-distant-compliant? Can we get at-home medical care? As we get physicians who are immune to the virus, as we get nurses who are immune to the virus, having them go out to peoples' houses -- obviously, health clinic services. These are just some of the obvious things we can think about, in terms of expanding their capacity, and doing it under the conditions of quarantine is likely to be more labor intensive than under normal conditions. So we could see that all of these things could demand more labor than they do normally.

And even beyond these things that we can easily see and easily mention, I think there's a potential for entrepreneurs to figure out solutions that we can't even think of to some of these things, especially if we're facing the possibility of some types of restrictions lasting 6 months, 9 months, into next year -- there's even some talk about multiple waves coming back. There are entrepreneurs to think about how can we operate under these conditions.

And I think the important thing to remember about that is that having people respond to these structural constraints in ways that expand supply happens best under really high pressure -- under a high demand pressure economy. And so the analogy that I want to make is back to the Great Recession. Right after the Great Recession, there were all sorts of explanations about why unemployment was going to be permanently high, that we had, for instance, a lack of skills, that we had people going on disability, and once they go on disability, they never come off disability. We even had some serious work arguing that improvements in video games were keeping people out of the labor market. But we saw all of those structural explanations melt in the face of continued strong demand. And strong demand, even now, can facilitate a transformation to an economy that is more adapted to pandemic conditions. That's not saying that it can employ

everyone; that's not saying that there's not still going to be masses of people on unemployment benefits. But we shouldn't think about it simply in the sense of all we're doing is holding still. There's still dynamism that can come; there's still ways in which entrepreneurs can expand, they can hire people back.

So what's the upshot of that? I think one of the upshots is that there's concern, even out of Deutsche Bank people, that we should be cautious about the level of aggregate demand stimulus we do, especially with the Federal Reserve, because inflation could be a problem coming out of this. I think that we should be extremely wary of that -- not just because of the enormous shock to demand, but because the structure of the economy is more flexible. Another thing I think we have to think carefully about -- but it's difficult -- is incentives for people not to work, so how much we replace unemployment. At this point, that's not a hill I would die on -- to say that we shouldn't do a very large unemployment replacement. But as we go forward, thinking about these incentives and how we can promote dynamism in the economy I think will be important.

The third thing is how we think about the regulatory environment. All of the focus right now, or the key focus right now of many people, is how do we lock down the virus. But careful thinking about the barriers that might stand in the way for people operating during the virus, for people finding creative ways to employ people and to provide services during the virus, transitioning in the weeks to come, should be a major focus of how we think about dealing with this, how we think about creating new market relationships that can sustain people for however long we're going to be under the pandemic.

Jason Grumet: Karl, thank you. Thinking about dynamism and the touchless economy is actually one of the more optimistic phrases that has passed through my mind in awhile, and I really appreciate you putting this on the table, because I think we all agree we're going to be doing this for longer than our social safety net alone is going to be able to handle.

I want to recognize that we have I think 5 more presentations, and about 50 minutes. So we are not off schedule, but I wouldn't say that we're exactly on schedule either. And therefore, I want to push forward and see if we can have some interaction between the discussions, and we have a couple of meta questions on the queue here that I want to pose at the end.

With that, Sarah Wartell, I know you have been thinking about a lot of stuff. Last we talked, you said you might want to share some thoughts about housing. But the screen is yours.

Sarah Rosen Wartell: Thank you. And thanks to BPC for doing this, Jason, really, it's a great forum for folks. I do want to talk about housing, and I want to talk in particular about the rental market side of housing, because I think one of the byproducts of the mortgage market crisis was that a lot of intellectual infrastructure and relationships between industries, consumers, and others was built during that crisis, and people are thinking robustly about the mortgage market and solutions there. But I actually think the problem of this pandemic is going to be much more acute for renters, and the intellectual infrastructure for working through problems is not nearly as well-trafficked. So it's really important to get people thinking there.

It does look like, Sharon, I will say that I've seen a version of the bill that has provisions that are being tweaked as we speak, on both the single-family mortgage side and the rental side. They are modest in duration, and in particular on the rental side, they only cover the government-

guaranteed markets, which are the FHA and the GSE loans. And, at best, that's half the market -- it depends on how you count new volume; it's probably about under a third, but with the number of outstanding loans and the number of units, my gut tells me -- I'm still trying to parse through the data -- that it's about half. And who are the people in those homes? 42 million household rentals with median household income of $41,000, their monthly housing cost is on average 31% of their rental income, and 11 million of them are paying more than half of their income in rent. So the tenants are the folks whose income is most vulnerable in the bottom of the market, and most likely to be needing to stop pay almost immediately. And this is personal to me, because I have a family we're close with of two restaurant workers whose income has come to a complete halt as of two weeks ago, and they're trying to decide, do they pay for diapers and food, or do they pay their rent payment today. And I will make sure they have diapers and food, but this is an every household kind of concern.

Eviction relief, which a number of jurisdictions have taken, is not enough, because the renter still owes the money, and, for the most part, when wages resume, if they resume, they're not going to be likely to fill the hole, and the landlords are going to face costs for the office, insurance, maintenance, staff, property taxes, that without the rent, they're not going to be able to provide.

And the owners of these properties are a very diverse set of folks. The one thing about the mortgage market is that it's largely handled through a relatively fixed number of lenders, but if you think about who our property owners are, they're small businesses, they're some large REITs that are financed by pension funds, investment companies, overseas investors, and your local community banks. So this is an extremely diverse market.

I'm going to make the case -- and I have not worked this all the way through -- that, by the time we get to bill 4 or 5, we will be talking about some kind of broad-strokes rent forbearance that is broader than what is just covered by the GSE and the FHA. And this concept is basically intertemporal cross-subsidization, where our future selves are going to pay the rents for many of our current homeowners.

One of the big problems is that it's very hard to ascertain who are the people who are in distress in this context. And so you're really going to have to be less precise than we would like to be, because the administrative burden of figuring out who in fact has hardship with income is going to be overwhelming and could bring us some pause. The bill itself seems to have a very light administrative responsibility for the houses that it tackles on the mortgage side, and they're going to have to come up with something similar for the rental side.

So we're talking about some kind of program that ideally covers -- it doesn't matter who owns the mortgage on the building you live in, it's somewhat consistent across buildings -- and that it's something that is going to say, if you're in distress and can't pay your rent, that obligation is going to be deferred and eventually, I think, forgiven. But that means the landlord has to get relief for paying their mortgage payments, and that the person they owe those payments to is going to have access to some kind of Treasury or Fed window. For the GSEs, it may mean the liquidity backstop that they have, and the Treasury continues to fill the holes -- same thing with FHA and Ginnie Mae. But for the rest of this market, we're going to have to come up with some structure through the Fed and Treasury windows where people can provide security, and a lot of people are thinking about using small business lending for some of the smaller business owners, with what will end up being essentially forgivable loans if conditions are met.

So I'll stop there and just say that there's a lot of complexity. I don't know what the right design is on most of the issues I raised. But I expect that both financial market stability will require that the housing market come to some equilibrium on this, and, at the end of the day, it's the individual families who are making those rent payments, who, for some period of time -- and it may, as Sharon said, be longer than just the duration of the quarantines and the lockdown -- are probably going to see their ability to make rent payments be vastly diminished if the property owners and the lenders are required to bear that burden without cost-sharing from the taxpayers. We're going to see their liquidity dry up and the housing market come to a screech, and that will make the duration of the crisis longer.

Jason Grumet: Thank you, Sarah. As we discussed by email, housing is the monstrous, wicked challenge that has not fully arrived, and I really wanted and appreciated you putting it on everybody's agenda. Any quick comments and questions from Sarah? I remind those of you who joined recently that this signal, which I believe is upright now, on the upper right of your screen allows you to text in a question. We have a couple in the queue that I'm going to get to here in a moment. But does anyone want to follow up quickly with Sarah?

Alright, well I'm looking forward to the Urban paper coming up with all of the design answers to those small questions that you raised, and I think next on the list, we have Andrew Biggs with AEI, who wants to talk a little bit more about the UI system, which I think relates to a couple of the pending questions in the queue. So I'll let, Andrew, you make this presentation, then we'll refer to those.

Andrew Biggs: Hey, thanks, this is Andrew here. I'll try to be quick, and I think I can. I think my idea is either so good or so obvious that it looks like something resembling it is going to happen.

When I started thinking about policies in this area, for combatting coronavirus, what I was thinking of was really two things. First is proposals that are easy to administer, in the sense that you could get the spending done quickly; second is targeting the areas of need, where it's greatest. Just because of the unique nature of the economic shock which we're suffering due to COVID-19, my own idea was that if you get an idea that can satisfy those criteria, it's going to be more cost-effective, meaning it's going to help the economy better, and it's also going to leave more resources available for all of the other policies we're going to need to fight the coronavirus.

My idea, specifically, was to increase the generosity of state unemployment insurance benefits. UI benefits typically replace about half of earnings, up to a maximum of around $450 per week. I argued several weeks ago in an article for Forbes that we should think about raising both the replacement rate and the maximum weekly benefit. As an example, UI benefits might be increased to replace 85% of prior earnings, with a maximum weekly benefit of $1,000. That's going to increase the replacement rates at the bottom end, but also push benefits higher up the income ladder higher than they ordinarily would be.

Obviously, these benefits are going to be well-targeted: They're going to deliver benefits to workers who have been furloughed or laid off as a result of the coronavirus, and help allow them to better maintain their standard of living. But obviously it goes beyond just a charitable or welfare function, in the sense that increasing UI benefits would help prevent mortgage or other

loan defaults, losses to landlords due to nonpayment of rent, follow-on job losses as the unemployed households reduce their consumption.

But also, in theory at least, the increased UI benefits could be implemented quickly. And that's, I think, really important as we think about -- Congress is moving very quickly to pass a bill, but it's unclear to me how quickly some of these policies can actually be implemented. And it's the implementation that really matters. In theory, states could simply change a few lines of software code that determine UI benefits and start paying those higher checks immediately. I know that in practice -- and some of this goes back to the last recession -- it's not always that simple, and obviously the state UI agencies today are overwhelmed with new benefit claims. Even then, though, I believe that boosting unemployment benefits would still end up being a quicker response to COVID-19 than some of the others that are being discussed.

At this point, I have not argued for extending the duration of UI benefits, which is a common strategy used. That may be necessary in the future, depending on how things evolve. But, at this point, I think making UI benefits generous but short-lived may help in building a rebound from the inevitable downturn we're facing. I have not seen a score on raising UI benefits, and that's going to depend on the economic situation, but I still think that's going to leave plenty of money to help small businesses and everybody else who has been effected in various ways by the quarantines.

I'll leave it at that -- but I appreciate the chance to talk to you all today.

Jason Grumet: Terrific. So, while folks are thinking about whether they have a question, I want to pull up one from our little feed here from Niv Elis at the Hill, which is not precisely on point to your comments, but very relevant to the broader discussion, which is the question about whether the generosity of a $600 a month unemployment incentive could actually create the undesired incentive for people to choose unemployment over work, since, in many cases, that's a higher wage than many folks are receiving in their 40 hour a week current employment. And I just wonder whether you or Doug or anyone else has thoughts just about -- we will always raise these moral hazard questions as we race to deal with this kind of crisis, but Andrew, do you have thoughts on that at all?

Andrew Biggs: Yeah, you can't -- UI benefits don't go to people who quit their jobs, so it's going to be people who are involuntarily unemployed. Yes, there is various research looking at how UI benefits, either the replacement rates or the duration effect return to work. And those things matter, but we have a situation today in which we're literally ordering businesses to close their doors. So this huge influx of people onto the unemployment rolls as we're seeing today -- these are not people doing it by choice. This is where unemployment is playing a true insurance function. I think if you make them generous but also keep it short-lived, then the economy rebounds, the incentives will remain to get back to work. But it's really just going to depend on where we are a month or two months or three months from now, and we honestly just don't know the answer to that.

Jason Grumet: Okay. Any other questions for Andrew?

Alright. While introducing Ben Ritz, a dear friend and colleague of BPC now at the Progressive Policy Institute, I want to also just acknowledge for Greg and others who have asked some really

compelling meta questions that I think all speakers will have a view on, we'll hold those and hope that we have some time at the end for that broader conversation.

Ben, I think we gave you the very, very telling title on this agenda, Next Steps for the Stimulus. That really narrows down your area of focus. I turn it over to you to tighten that up for us in the next several minutes.

Ben Ritz: Thanks, Jason. I think one of the big questions that we've been seeing evolving around what the right approach to the crisis is is in terms of do we want to target relief towards those who are most in need -- which has the benefit of being efficient, but at the same time can take longer and can leave people out -- or do we just want to go big and broad -- the send everybody a check approach -- which has the benefit of making sure nobody is left out and is relatively fast, but at the same time it's a lot more expensive and you're likely to have a situation where you're providing benefits to people who don't need them, and you're not providing benefits that are big enough to the people who do.

The general approach that we've been advocating at PPI is to try to send the money out now as quickly as possible to as many people who need it, and through targeting retroactively through next year's tax returns. The original proposal we had for this was to essentially structure the universal stimulus checks as a refundable tax credit, send it out to everybody now, and then for higher income taxpayers, it would be treated something like a no-interest loan they get for a year and they pay back next year. This would allow lawmakers to send big, broad checks now while having no concern that, for higher income people, it would eventually get repaid. This is somewhat similar to -- I think the House bill that they put out on Monday had a very similar structure to this. The Senate bill with its recovery rebates right now is kind of the opposite of this, in that it sends out payments now based on your income from 2019 or 2018, and then doesn't claw it back next year. And that has the downside of, for somebody who was high-income and is now low-income, they won't get the benefit for several months, while other people, if they're fortunate enough to see a big income increase between 2019 and 2020, they'll get the benefit and not have to pay it back. So we think that going forward, it's important to try to target these benefits, but also not let that hold up getting payments out.

We think a similar logic can be applied on the business side -- something like this is not very different from the small business provision in the stimulus bill as we understand it now, where small businesses would get loans to help them make payroll, then if they retain their workforce and are unable to pay the loans back, it gets forgiven. We think that's an important approach of trying to get quick and get the money out there, while at the same time trying to target it as we can in ways that don't slow out the sending of payments.

The last point I'll make on this is -- I haven't given a lot of thought to this, since it's only a relatively recent issue that has popped up -- but I've started to think about how a similar structure might be able to resolve the standoff we're seeing right now on the unemployment benefits, where you have some Republican senators who are concerned about the fact that giving the $600 a week increase in unemployment benefits is going to result in some people getting a higher than 100% wage replacement rate; and then at the same time you have experts saying that there is no way to functionally do a 100% replacement rate cap through the UI system without taking a long time to work through the system. So I am wondering if there is a way we can send these broad benefits out now, and then do some sort of retroactive adjustment through the tax code next year

that would allow the imposition of some sort of 100% wage replacement cap to deal with some of those incentive concerns.

So that's the general approach we have for next steps for stimulus. That's what we're thinking.

Jason Grumet: Thank you, Ben. The possibility both for urgency and precision I think makes that graceful. I know it's already been an active part of the discussion.

I am going to go by house rules and skip over our very own Bill Hoagland at the moment, and see if we can get the Brookings quad chair of Mark, Tim, Amy, and Xav to hop on. There's been quite a bit of thought that's gone into your discussion of some of these key regional issues, and some of the disaster relief mechanisms. So I was going to ask if you all would jump in; we'll then let Bill bring us home, and I think we will have time for 10 minutes of some of the larger questions that have been raised on the chat line. So, Mark, to you.

Mark Muro: Actually, I think Amy Liu, my colleague, will start us out, then I will go very briefly, and then the incredible Tim Bartik will follow up, and Xav Briggs will close.

Jason Grumet: Fantastic. Very impressive.

Amy Liu: Great, so this Amy. This is great, and I really appreciate you giving us the opportunity to present two related policy ideas to one really important matter, which is how do we -- can you hear me okay?

Jason Grumet: Good now. I think, Mark, keep your mic muted, and we'll be good.

Amy Liu: Okay, great. So, anyway, Mark, Tim, Xav and I are going to present two related sets of policy ideas that address a topic that we think is really important, which is the need for massive fiscal relief to state and local economies. And the risk of not doing so is even more damage to the delivery of care and essential public services, and to the length and geography of employment declines across the country.

And so what you're going to get is the first idea is going to be presented by Mark and Tim, which is going to relate to how the federal stimulus or other federal policy interventions can address the geographic divides in our country, and Xav Briggs will expand on a piece that we both coauthored about how the federal aid can flow through proven channels as we've seen in the past in major disasters.

The first thing I'll do, though, is just really reinforce the importance of state and local governments. Beyond being on the frontlines of the response, and beyond being on television and cable television every day, per my colleagues at the Brookings Hutchins Center, what we know is that state and local governments also represent 13 percent of total employment in the United States, and state and local tax revenues make up about 9 percent of GDP.

So once these governments are forced to make cuts due to lost revenues, given the lockdowns in most states now, and due to increased spending, which is what we're seeing in this environment we're going to have a real impact on the state's overall economy. And yesterday, for instance, we learned that the governor of Ohio announced a 20% across the board budget cut to offset new spending and revenue losses. And given the balanced budget requirements that all states have to

follow, I anticipate that we're going to see this trend continue over time. And what we've learned is that during the great recession, between 2009 and 2012, cuts in state spending lowered GDP growth about 1.2 percentage points. And I know Tim may offer other estimates that he's run based on what are anticipated state cuts if unemployment really continues to rise.

What's happening is that what we're seeing right now across the country is that while state and local governments are waiting for federal aid to flow, they are really frontloading emergency spending right now. So most state legislatures have enacted emergency spending measures to cover public health, to house the homeless, to shore up food banks, to shore up nonprofits, and other critical assistance. And we're seeing local governments doing the same; setting up emergency funds for workers and small businesses in partnership with philanthropies.

And what we're observing is that all of these vehicles are probably only going to be solvent for a couple of weeks without the need for flexible federal aid. But the positive thing is that they're providing a really critical delivery infrastructure in which federal resources can reach real people and real businesses in Main Streets across America.

And I will, as a lot of others have done, say a few words about the draft Senate agreement. There is aid for states in there -- there's a $150 billion state stabilization fund run out of Treasury, there is some expansion in the CDBG, there is an expansion of the Disaster Relief Fund by $45 billion. I think what you're going to hear from my colleagues on the call here is that that aid overall is not big enough, it is not flexible enough, and it does not recognize the structural challenges that the most distressed communities face in an economic downturn. So, with that, I'm going to turn it over to my colleague Mark, who is going to really reinforce the geographic nature of this virus's effects. Mark?

Mark Muro: This is Mark. I just wanted to thank Amy, thank Jason and and Andrew at Bipartisan, and everyone on at this time. I want to reinforce one other problem that the four of us, especially, are very concerned about. And it is, essentially, the concern that temporary regional damages incurred within the usual midst of a recession can easily become long-term and even permanent setbacks. So I want to underscore the urgency of the whole issue of state and local relief, and with an eye toward regional impact.

The thinking here has really darkened as the economic profession, demographers, and regional professionals have really dug into not just the last 3 recessions, but especially the aftermath of the last one. The conventional wisdom, even for the last decade, had always assumed that regions always recovered, that they bounced back in some way, and that workers and economies will adjust.

That has proven much harder to see in the evidence, and significant work in the last decade has been prompted by the uneven and very slow response from the financial crisis in some regions, which has created somber issues about this kind of benign story of adjustment. Research by two of our colleagues, Brad Hirshbein and Brian Stewart, shows that communities more severely effected during recessions continue to suffer relative to less-effected areas for at least a decade afterward. Hard-hit areas experience larger relative losses of employment, population, and earnings; the share of population with jobs falls. Likewise, economist Danny Yagan has shown that whole regions were still struggling, even a decade after the last recession. And then, just

recently, our program's metro model numbers show that there are still 104 MSAs out of the nation's 383 metro areas that, as of 2019, had not recovered their 2007 level of employment.

So the latest work is not reassuring on what happens after these events. Whole regions may well be falling into tracks of underdevelopment. That's really one of the concerns here -- where underperforming regions begin to lose their capacity to catch up with the frontier regions at all.

That's all. I'm going to hand this over to Tim of the Upjohn Institute, and then Xav Briggs of NYU, who are going to discuss two possible policy responses -- each of which aims really to bolster state and local governments' ability to counter these dynamics, and also to generally help regions avoid seeing temporary pain turning to permanent harm, which really is the long-term concern here. Tim?

Tim Bartik: Okay, Tim Bartik here, can you all hear me?

Jason Grumet: We can hear you, and there is a little bit of an echo.

Tim Bartik: Okay -- well, I don't know why there's an echo, but hopefully it goes away.

I want to provide, first, some facts to back up the argument that, as I understand it, in the Senate bill, there's $150 billion in state and local government aid, and the basic argument is that it's not big enough, it's not flexible enough, it's not regionally targeted enough, so hopefully in some subsequent bill we can address some of those issues.

On the big-enough front, state and local own-source general revenue in the US is about $2.4 trillion a year. If that goes down 10% due to the current economic crisis, that's a loss of $240 billion to state and local governments in revenue. And then there's probably at least another $100 to $200 in extra costs, some of which are due to health care related things, but others of which are just due to the economic downturn and the various social services that requires. So I think the need for state and local governments is much higher than $150 billion.

On flexible, as I understand the current legislation, it funds extra services necessitated by the virus, but doesn't allow covering the revenue shortfall in covering your regular services. If this is all that is done, it will lead to some pretty strange state and local policies: you'll be laying off police and fire and teachers and other personnel while you have some funds to add extra public health services, which is not the best either for the economy or for local public services.

And, finally, on reasonably targeted, my understanding is that the current allocation is mostly per-capita, but there's going to be a very differential regional pattern of this particular recession. It's going to hit -- the Brookings people have documented this, as well as other folks are documenting this -- it will effect tourism and travel industries, energy -- it's going to be a very uneven effect, as usually happens in a recession.

My last point is, as Mark mentioned and Amy alluded to, we know that regionally severe recessions have permanently damaging effects. If a local metro area experiences 5% more employment loss during a recession than the national average, even 10 years later their employment is 6% lower. They get back, maybe, to their previous growth path, but they don't recover the employment that's lost. And that may even be a permanent effect -- they permanently have lower employment: the employment rate, the employment-to-population ratio, will be 2

percentage points lower at least 10 years later, it may be permanent. And that's one of the reasons why we have these big regional economic differentials from these region-specific shocks we've had over time. That's not inevitable, though. That's partly because we don't fund public services during a recession adequately, and we don't deal with some of the damages that recessions -- especially regionally-severe recessions -- do to workers, jobs, skills, and other social problems.

What we propose is three things. One, we propose some large and flexible state and local fiscal aid -- we're talking about a magnitude greater than what's currently being proposed, more than $250 billion, $400 billion, maybe $500 billion. It needs to be a lot higher. And we're also proposing that that be provided flexibly, because we don't just have a problem with extra heath care costs, we have a revenue cliff that state and local governments are dropping off of.

We also think that we need to have some tax credits to encourage payroll maintenance and expansion after this thing is over and we do want to increase employment and get people back to work. We'll need to have some payroll credits to encourage employers to expand, and that can be regionally targeted at the hardest hit regions.

And, finally, there is going to be a lot of dislocation and moves to different industries, and we're recommending the expansion of regionally-focused job training to help the hardest-hit regions adjust.

So those are the three elements: We need to avert regionally-severe recessions by aid that is flexible and large, and then deal with the payroll problem, and help with job training to adjust. Let me just stop there.

Jason Grumet: I love people who can give big frameworks on complex datasets. Xav, I'm wondering if you are online.

Xav Briggs: Jason, I'm here. I thank you, and I'll pick up where Tim left off. So, complementing this approach, as Mark and Tim just outlined, to recognize regional differentiation in risk and loss, or likely loss, and recovery prospects, Amy and I worked with Jenny Schuetz to produce a proposal that essentially asks for 2 things and outlines how to achieve them. One is coordination, of course, and the second is money.

Where coordination is concerned, obviously we can't enact it, but there is an established framework for disaster relief and recovery that gives government at all levels substantial flexibility when it's used intentionally and communicated clearly, and that is the Stafford Act and the disaster framework. The problem is, when President Trump issued a national emergency declaration on March 13, it was written quite narrowly to focus on the public health emergency, and, in fact, only on certain aspects of it, not to recognize the multifaceted crisis that this is, in which a health crisis and an economic crisis teed each other in both directions, and will continue to do so in ways that are tricky to forecast right now.

The first recommendation is to expand that national emergency declaration, put all of government on notice -- disaster response and recovery folks call it a 'whole of government' approach or 'whole of government' frame -- but put government on notice at all levels that this is a multifaceted crisis, and the Disaster Relief and Recovery Framework is built for cross-functional coordination and emergency operation centers, and a whole variety of things that are

extremely useful for addressing the full range of things that we've talked about on this call, and more.

The second thing we call for is money. It would answer at least part of the huge gap that Tim just estimated for us. And we call for money of two kinds. The first is conventional disaster relief and response money in the form of the Disaster Relief Fund. As of late February, there was a balance of about $42 billion -- that's already-appropriated money -- but states were getting no clear direction on how to apply or how to shape their programs. The good news is that as of Friday, New York became the first state to get a major disaster declaration, as it's called, from the White House, and they are starting to draw down on that. The Senate package announced this morning includes another slug of $45 billion, so that's a good thing and that's a good start.

The second type of money we call for, though, is basically revenue-sharing, as flexible and fast as possible for all of the reasons discussed so far, and we recommended a 100% federal match of Medicaid costs for the duration of the crisis. Bob and his team, and others, have spoken very thoughtfully and outlined a number of different options for doing this -- not necessarily the way we described, but Medicaid match is the single biggest source of federal revenue for state governments; it's a very well-established channel, to Amy's point. It would be nothing like this de novo Treasury program which the Senate package includes that's never been run before, so far as I know, at least in the terms it's described in the package.

And the second channel, also well established -- the closest thing we have to federal-local revenue sharing in America -- would be to appropriate a large amount for HUD's Community Development Block Grant program. Use the formula that already exists, which does address for need -- it's not just based on population scale. It would address some of the targeting that Mark and Tim addressed as well. And it's a well-established way of getting money directly to local governments so they're not going like beggars to their states to get an allocation of some of what states get. One could do that quickly, and also write in waivers to make it more flexible -- track what you spend on, use it for a whole array of things connected to this crisis, but you don't have to submit a plan in advance, et cetera, et cetera, and go through the traditional hoops. Jason, I'll end there. Thank you.

Jason Grumet: Thank you to the four of you. I think a regional frame, and location, location, location is obviously something that is going to be on all of our minds going forwards. Are there questions to the Brookings quad that anybody wants to put out there before our last presentation?

I guess the one, Xav, that I'll offer to you and the team, is lessons learned -- saying we want access to that great, efficient US disaster relief program raises some questions just based on recent history and the inefficiency of our ability to bring aid to people under more obvious kinds of distress. How do you think about that analogy, and what do we have to do to make this disaster response look better than what we're still struggling with with Houston and Puerto Rico and the rest?

Xav Briggs: Jason, it's an important question. In those instances, of course, where you have a physical shock and all of its cascade effects on human lives and health and all the rest, a lot of what explains the slow spend-out after state -- and local leaders argue strongly for the maximum possible allocation that they can get -- is the fact that you're rebuilding physical facilities, you're deciding on, in some cases, things like urban redevelopment and arguing over how much you

should rebuild -- as you rebuild what you had versus build smarter in ways that are more climate resilient. Obviously those are important debates, but they tend to slow things down. There's a host of things that go into the use of FEMA moneys for reconstructing facilities, or a special version of HUD's CDBG which is for disaster recovery and helped rebuild Lower Manhattan after 9/11, for example, and New Orleans after Katrina, that really would not be at issue here given the kinds of critical needs that we're talking about on this call, that the country's seeing evolve minute-by-minute.

Jason Grumet: Great context, thank you. So, BPC's very own Bill Hoagland is last in the queue to add a few thoughts. We told Bill that it wasn't until the next call that he could start talking about the spiraling national debt; he has to be part of the stimulus discussion here at least for another 72 hours. So, Bill?

Bill Hoagland: Well, I'll try. You always put the budget guy at the end of these very good presentations. I do want to focus on the stimulus payments real quick, and see if I can get us back on time for you to ask your meta questions. But, listen, as an old budgeteer, I cannot resist the chance just to simply point out that this is exactly what many of us feared would be the situation -- we didn't fix the roof when the sun wash shining for the day when the rain came, and here we are at this pre-COVID crisis with $3 trillion deficits for as long as we can see, and 80% debt-to-GDP.

Now, the current crisis does require bold and quick action. However -- this, again, is not the time to be concerned about the level of stimulus -- but I have to say, coming out of this crisis, at some point, we will have accumulated significantly more debt, government spending will have been ratcheted up, and unwinding that level of debt and spending will be much more difficult than it was even pre-crisis. And I'll put just one factoid here: We spend $4.7 trillion annually. Assuming the $2 trillion -- and it's probably more than $2 trillion -- stimulus package, assume it all spends out quickly, which is important, it is going to be a stimulus package, that's going to mean we will have increased spending in one year by 42%. Unprecedented. However, I want to emphasize that it's necessary under the current situation.

I think there is an inherent contradiction between what we want from economic policy at this time -- stronger economic growth to end a recession or even a depression -- and what we want with health policy -- slower growth or no growth at all to reflect the population sheltered in place until this virus comes under control. And we see that tension already playing out between the president and his health professionals.

This brings me to the payments to individuals. I was not a fan of the Social Security payroll tax rollback, and so I'm pleased that the package today follows the historic patterns of the past -- the Tax Reduction Act of 1975 -- but more importantly and more relevant, the Economic Stimulus Act of 2008, which did provide a maximum credit of $1,200 for joint filers.

But this tension between appropriate health policy and economic stimulus did not exist in 2008. It was a financial crisis needing economic stimulus; even then, research indicated that the payments in 2008 probably increased consumption, particularly for low-income families, by no more than 6% -- I've seen other figures that suggest maybe 25% -- but overall, dollar-for-dollar, a lot of it went into savings. And we know that 70% of GDP is consumption, so if consumption represents $14 trillion of our economy in normal times, these direct payment of between $250 --

and maybe it'll be higher than that, maybe it'll be about $500 -- that's up to 3% consumption. Chalk me up as not exactly -- I'm not sure that's going to have as big an impact on economic growth going forward as maybe the people who are advancing it think.

But I'll say again: Payments will be important -- paying mortgages, rent, food. I think the other benefits in this package -- the 4 months enhanced UI benefits, the retention credits for holding onto employees -- I think it has more of a psychological impact than will these payments.

As I understand it, the final agreement today -- a one-time $1,200 for individual filers, $2,400 for joint filers, plus $500 credit -- I think that is helpful. At BPC, we argued that payments be timely, targeted and temporary. I think the final agreement meets these criteria, but I also think, as has been mentioned so many times already on this call today, there's another COVUS-4, COVUS-4 coming that may attempt to extend these payments later into the year, and therefore they would not be temporary.

Therefore, my one idea, Jason, is as follows: Once those current payments have been distributed, have IRS estimate how much of the payments were received by those who qualified or would have qualified for the EITC -- not mentioned at all in anybody's comments today -- then adjust the EITC maximum benefit to the level of the current law -- EITC plus the 2020 credit -- and adjust the phase-out percentage to be consistent with the $75,000 and $150,000 phase-out in current law. This would be more targeted, as Ben talked about earlier, than a universal basic income. In the near term, some might argue that this might allow employers to hold back on wages; I'll bet there won't be a lot of wage increases coming after this. And, more importantly, the benefit would be particularly helpful for those single individuals with no children out there, where their maximum EITC benefit today is $538. That's it, Jason. Sorry, we're running out of time.

Jason Grumet: That's good stuff. And I've got to say, those of you who know Bill Hoagland will know that I'm charmed that he's got the BPC swag logo banner behind his desk at home. That's compelling, good stuff.

Alright, we've got about 5 minutes left. I have a couple of closing thoughts, but before that, I've been teasing Greg with NPR Planet Money that we were going to put his big questions to the group as the windup here. And he basically has 2. One is, does anybody have thoughts about how these efforts to basically put a pause on payments is going to have ramifications going forward through the economy. The second is the basically hopes, dreams, and fears question: What do people think is the greatest source of optimism, anxiety, and uncertainty that we are going to be grappling with as a thought community, and helping Congress think through when they come back from recess. So I open it up for basically any final closing thoughts from any of our speakers.

Ben Ritz: This is Ben, I guess I'll jump in. I'll say that my case for optimism is that I think the stimulus bill that we have now and the one that we got in the last round are both appropriately-sized for the challenge we face in the near term, and I'm hopeful that we can get stimulus as needed going forward, and that we won't be too constrained like we were in 2008. And I guess my biggest fear is that if we don't get the actual virus under control, and it seems like there's been a lot of mistakes made by the Administration on the public health side, that if that

continues, then we're going to have much bigger economic problems than we're currently expecting at the moment.

Sharon Parrott: I think all of us could list a lot of fears -- and we at the Center on Budget do fear really well, so I'm going to not do that. I'm going to try to be on the hope and optimism side, which would shock my colleagues. Look, it's been hard to reach this agreement; there's still things in flux. But we have seen a commitment to bolder action, certainly, than we saw in the Recovery Act. And I think that reflects both the nature of this crisis, and that we maybe actually did learn some lessons from the Recovery Act -- it was very partisan, remained very partisan, with lots of wrangling over a number of years. But ultimately, there became at least a more academic consensus that the stimulus was really important -- it should have been bigger, but even being undersized, it did a lot to stave off a worse recession. And it feels to me like we haven't learned all of the lessons, and we're still having arguments that are more ideological than one would hope in this period of crisis. But it does feel like we're building on some of those lessons, and we are in a position where both parties are willing to be bolder than I think has ever been the case -- at least certainly in the post-war era. And I think that is somewhat of a hopeful sign. I think the implementation challenges during a pandemic are real. So I'll end there.

Sarah Rosen Wartell: This is Sarah. To make Sharon's point a slightly different way, the composition of people on this call today, from lots of different points on the ideological spectrum, talking about the right ways to support the economy through this crisis represents a consensus about a public sector role that didn't exist even in 2008, or was slow in coming, and hasn't really existed in the last 20 years. That's a combination, as Sharon said, of lessons learned, and, I think, the unique aspects of uncertainty that we have around this type of crisis. But that's something to be celebrated and to build on.

Karl Smith: This is Karl. I think I share the same source of optimism as most people -- that the nature of the crisis has made people more willing to go big. I think my concern is that fear over budget deficits will cause people to pull back to soon, and that a concern that only targeted relief is effective will cause us not to have as strong a stimulus as we could.

Bill Hoagland: Can I say that I accept the fact that if status quo, there would definitely be an increase in deficits and spending. I'm only suggesting that maybe we've learned our lesson here that we should start paying for government services rather than simply adding to the deficit annually. And I think maybe coming out of this, there will be greater attention paid to making sure that we are putting the targeted dollars on such things as public health, infrastructure, transportation. But let's pay for it while we're at it, as opposed to passing it onto future generations.

Tim Bartik: This is Tim Bartik. What I would add, to second what Karl said, is that I have been optimistic that people have been willing to think bigger than I might have imagined. But I wonder if this is going to persist, and I wish we had a structure where we had some automatic fiscal stabilizers that we agreed on that would allow the response to get very big -- as big as needed -- and then phased it out as the economy recovers. I think we'd be in a lot better shape, we could respond in a bigger way, and yet there would be some reassurance that as the economy recovers, that this would be phased out. And we'd be much better off if we had those kind of formulas that targeted aid when it was needed and where it was needed.

Jason Grumet: Thank you. Are there any other final thoughts? Alright, so let me scoop this up, just to share a couple of insights from our leg team about what's happening on the ground -- some of you may be getting this in real-time as well.

You'll remember that about 40 hours ago, Senator Schumer said we were on the 2 yard line. And for those of you missing football, it just reminds you how long the end of those games can go. We are not yet with agreement. A few senators, in particular Scott, Sasse, and Graham are actually objecting on the unemployment insurance provisions, based on the concern that it's creating a disincentive to participate in the workforce. I am assuming that that gets bottled up somehow, because Senator McConnell is pretty good at that. Senator Sanders is also expressing some reluctance to embrace the package, which creates a whole set of other possible dynamics. The team still things it's going to work itself out, but not as quickly as I think we were hoping.

It also sounds like unanimous consent in the House is going to be miraculously hard to achieve, which, for a $2 trillion expenditure, on some level, doesn't sound inappropriate, but I'm sure many of you have heard that Governor Cuomo is encouraging the New York delegation for supporting the bill. There are a series of briefings going on right now, with the committee chairs trying to explain the bill to the House caucus. There are these horribly graceful emails going around to members of Congress from the leadership offices saying, if you want to be removed from this list, please click here -- so they're basically allowing members to unsubscribe from the briefings so they don't find the emails burdensome. Our team things unanimous consent's going to be very hard to pull together.

The general sense is that this is going to get done; less likely that it's going to be on the president's desk tonight. So we share that unfolding reality. But the view then is that they will leave town and not come back pretty much for the remainder of March and April. So that is a policy window for us to think about what's next. I think CV4, we expect, will be upon us when Congress comes back, and that there's going to be a dynamic discussion through May that will result, potentially, in another big piece of legislation in late May or early June.

So as we at BPC think about what we could do collectively through these discussions, it's now a question of can we start to frame them in ways that are a little more precise around particular questions. The crowdsourcing, brainstorming of this process has been really dynamic and fun, and now the question is can we, in targeted ways, advance some of these questions. We also are keen on not trying to be the convener of record, and so we'd be delighted if other organizations wanted to pick up an issue. We certainly are happy to share lists on who's called into these discussions.

So really eager to think with those of you who are also running organizations and thinking about how to be collaborative and efficient -- how we can do that together. I think we're going to come up with some suggestions and bounce them off of a couple of folks. But, so far, we believe that the rhythm of this is, albeit imperfect, worthwhile. So we'll look for your feedback and see if we want to do something next week or the week after on a narrower set of questions. I will just end by saying that I think it is implementation, the interactive aspects of these different programs, and then the question about how we evaluate whether they're working and how we improve them that are going to be dominant, at least in our minds going forward. So I thank you for joining us, again, and hope everyone has a safe and hopefully sunnier tomorrow than today.