

Economists' Statement on Support for Jobs and Businesses in Response to the Coronavirus Pandemic

The coronavirus pandemic is foremost a health crisis, but it is also significantly harming our economy. Responding to the public health challenge has required a drastic reduction in economic activity, and the livelihoods of tens of millions of Americans hang in the balance. The policy choices made in the next few days will critically affect how much economic hardship will be felt throughout the crisis, and who will feel its impact. Those choices will also determine what options will still be open to us after the crisis is over.

Because of the unusual nature of the recession brought by the dramatic actions being taken to curb COVID-19, there is no ready playbook. While the primary focus needs to be on public health, economic policy has two urgent concerns: safeguarding the safety and material well-being of our fellow Americans, and preventing the fabric of American economic life from unraveling. This will both allow the country to put the full force of its economy into supporting the fight against COVID-19, and will put us all in the best position to resume our lives when these necessary restrictions on economic activity can be eased.

First and foremost, we must act swiftly to prevent disruptive bankruptcies of both individuals and businesses. Policies to prevent these should be enacted immediately. Already balance sheets are running red. Businesses that fail during this necessary stoppage time will see the jobs that they provided disappear. With them, much of the productive capacity of the economy will be destroyed. Once unraveled, the complex web of relations which is the US economy will be slow and costly to rebuild. Failing to act swiftly to preserve jobs would be a grave mistake that would reverberate in every part of American life.

In order to make future recovery swift, Congress should:

1. Invest money to make this work stoppage as short as possible, neither sparing resources nor shying away from taking risky investments in the development and production of testing, vaccines and new treatments. The months of normal economic life saved will more than make up for the money lost pursuing things that end up not working in trials. Priority must be given to decreasing the infection rate even if the short term fiscal and economic cost will be unprecedented.
2. Provide the necessary support for small and medium businesses that do not have the ability to handle this shock on their own, to allow them to make their normal credit, rent, and maintenance payments and meet other fixed obligations. That means supporting them in maintaining payroll, financing furloughs or through other related policies. Continuity of employment is critical for ensuring that firms and employees can immediately start contributing to rebuilding our economy, once it is safe to suspend the restrictions. If we allow firms to be liquidated and employees to disperse, the recession will be deeper and the recovery much slower.

3. Provide the necessary support for individuals whose incomes are affected by work stoppage orders to allow them to make their normal mortgage, credit, and rent payments and meet other inflexible obligations. That means paying their normal wages to keep them attached to their jobs, providing direct transfers to affected workers, supporting the unemployment insurance system, acting to delay mortgage, credit, tax and rent payments, and strengthening state and local governments' ability to support other forms of safety net.
4. Assist financial markets in maintaining the productive capacity of large businesses.

All of us, conservatives and liberals alike, believe we must spend to support the economy now. This is an extraordinary time, and the US government is still in a position to spend. The government is the only party big enough to ensure that our economy can get through this crisis without deep collateral damage.

The legislation should provide sufficiently large transfers, loans, and other forms of support predominantly to the businesses and workers that are directly affected. It is preferable if it errs on the side of generosity – help that is too small or too restrictive to businesses and individuals that are at risk of bankruptcies will not prevent them. A policy that misses too many firms and individuals that need help will result in unnecessary damage to the economy, and too much damage to the economy will make public health measures harder to sustain. The disappearance of otherwise viable businesses will further hurt the recovery.

We call on Congress to pass and the President to sign broad economic support for impacted individuals and businesses as quickly as possible. The most important thing is to provide help quickly – if we expend a great deal of time creating the perfect bill we will have already failed.