

United States House of Representatives

Committee on Financial Services

Hearings on the Heroes Act: Providing for a Strong Economic Recovery from COVID-19

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Madam Chair and Members of the Committee:

The United States is suffering the worst public health crisis in more than a century and the worst economic downturn since the Great Depression of the 1930s. It will not end anytime soon.

Coronavirus **infections, hospitalizations, and deaths are all on the rise**. Nationwide, hospitalizations are on track to exceed the previous peak of 60,000 reached in the early months of the pandemic.

Let me be clear: There will be no economic recovery until the virus is contained. Consumers will not eagerly venture back into shopping malls, planes, hotels, restaurants, and retail stores as long as they face not insubstantial risks of infection, yet a significant portion of the American workforce depends on jobs in these sectors to earn a living. This means continuing high unemployment. Just over half of working-age Americans now have jobs, the **lowest figure in more than 70 years**.¹

The increasing number of people with COVID-19 is not a statistical illusion. The increase is not due to more testing for the virus, as some contend. COVID-19 cases are growing even where testing has not increased. COVID-19 hospitalizations are increasing across the country. Tragically, deaths from COVID-19 are also resuming their gruesome ascent.

The resurgence of COVID-19 is due to the fact that the United States has not undertaken the steps other nations have taken to contain the virus, and has reopened before the virus is contained. Remarkably, there is still no national plan for testing, contact tracing and isolating people with infections.

It would be one thing if every other rich nation in the world botched it as badly as has the United States. But even Italy – not always known for the effectiveness of its leaders or the pliability of its citizens – has contained the virus and is reopening *without* a resurgence.

As the virus surges back, the American economy is once again **stumbling**.² We don't yet have July's official employment numbers but real-time data from mapping services, mobile phones, and business scheduling services reveal slowdowns or declines in retail, recreation, and business visits and in the numbers of businesses open and employees

¹ <https://fred.stlouisfed.org/series/EMRATIO>

² <https://www.nytimes.com/2020/07/15/business/economy/economic-recovery-coronavirus-resurgence.html>

working.³ Commercial activity was beginning to slow even before public health restrictions were restored.⁴

I should also point out that the pandemic's health and economic impacts are widespread, but they disproportionately affect people with low incomes and people of color. The significantly higher death rates of Black and Latino people partly reflect systemic inequities in healthcare and nutrition, and in access to safe housing. These groups have also performed essential front-line jobs at increased risk to their health. Black and Latino workers are also disproportionately suffering job and earnings losses during this pandemic.

There are five urgent tasks ahead.

Stop the spread of COVID-19

The first and most pressing task is to contain this disease. Its catastrophic rates of sickness and death, as well as tragic economic consequences, require the boldest remedies this country is capable of mustering. A war is being waged inside this nation, and the fatalities and impoverishment it is wreaking on Americans are as calamitous as in any other war we have ever fought.

Other nations – among them, Germany, South Korea, and Italy -- are winning this war. They have contained the pandemic using several weapons: vigorous testing, contact tracing, isolation of those who test positive, and, until containment is complete, temporarily closure of non-essential businesses with high risks of transmission, and required wearing of masks and social distancing in public.

There is not the slightest reason why the United States, the wealthiest nation in the world, cannot also contain the pandemic with these same weapons.

Some say doing so is too expensive, requiring too great an economic sacrifice. The truth is that until the virus is contained the American economy will not rebound. The partial and haphazard shutdowns various states have undertaken since March, and the equally haphazard reopening of economic activity starting in May, have proven disastrous. They have spawned additional “hot spots” for COVID-19 transmission around the country, and are pushing the economy back toward the levels of unemployment and inactivity we endured in March and April.

³ Goldman Sachs, “US Economics Analyst: The Covid Resurgence and the Economic Outlook,” July 4, 2020, <https://publishing.gs.com/content/research/en/reports/2020/07/04/c0066ad3-41c1-446b-8643-574403cf1e42.html>.

⁴ Ibid.

Let me state this as clearly as I can: Containing this pandemic by temporarily curtailing economic activity is not inconsistent with a strong economy over the long run. In fact, quite the opposite. The only way we can achieve a strong economy is by first containing this pandemic. The stop-go-stop policies we have tried are only prolonging the economic crisis.

Nor does it make any sense to trust our future entirely to the discovery and massive distribution of a vaccine to prevent COVID-19. That may take another six months to a year -- or more -- by which time the American people may suffer hundreds of thousands of additional infections, tens of thousands more deaths, and millions of job losses, along with evictions, foreclosures, hunger, and homelessness.

The HEROES Act provides \$75 billion for testing, tracing, and other measures to contain COVID-19, in addition to free access to coronavirus treatment and support for hospitals and other providers. In my view, this is the least that is needed. Given what we now know about the spread of this virus and the central importance of testing, tracing, and isolating – as well as the challenges confronting us now that the virus has become so widespread – the necessary amount is probably closer to \$200 to \$300 billion.

Provide income support

The second most urgent task is to help people survive economically until the virus is contained.

In any economic downturn, income support to the unemployed accomplishes two objectives: The first is to alleviate human suffering, including homelessness and hunger. The second is to sustain economic activity overall. Consumer spending comprises 70 percent of economic activity in the United States. Without income support of the jobless, unemployment leads to more unemployment because people who don't have jobs lack the capacity to buy.

Normal unemployment insurance goes some way toward meeting these two objectives but does so imperfectly because many workers are not eligible for benefits, and those who are receive only a fraction of their previous wages.

The [CARES Act](#) has met both goals – avoiding suffering and stimulating the economy -- by adding \$600 to every recipient's weekly check, and extending coverage to gig workers and others not normally eligible. The result has been far less impoverishment than would have been expected from the temporary elimination of [22 million jobs](#).⁵ By some

⁵ <https://fred.stlouisfed.org/series/PAYEMS>

measures poverty has [actually declined](#).⁶ One study estimates that the poverty rate actually *fell* by about 2 percentage points in April and May due to the CARES Act's extra unemployment benefits and stimulus payments, as well as existing safety net programs.⁷

In addition, consumers have had enough money to sustain portions of the economy not temporarily shuttered. Although claims initially overwhelmed state unemployment insurance systems, by the week ending June 13 some 31.5 million unemployed workers were claiming benefits, including 11 million people who would have received no unemployment benefits at all.⁸

It is absurd to argue, as some have, that the extra unemployment benefits contained in the CARES Act have discouraged recipients from seeking jobs. First of all, few jobs are available. Let me stress again that we are in the worst economic downturn since the Great Depression. Some of the jobs that *are* available to low-wage workers pose risks of contracting COVID-19, because, as noted, the disease is still loose upon the land. Second, as I have noted, normal unemployment benefits typically pay a small fraction of the wages of jobs that were lost. So even with the extra benefits, most workers have a strong economic incentive to return to work if they can. Thirdly, it is advantageous to the overall economy that people have some extra money with which to spend, in order to sustain remaining economic activity. Finally, it is beneficial to the public's health that as many people as possible avoid workplaces that pose any risk of infection, particularly people who are older or with pre-existing conditions.

But those \$600 weekly payments are about to end for roughly 25 million people. The consequence will be both more human suffering and more joblessness. Allowing the CARES Act's expanded unemployment benefits to expire without a replacement will result in an estimated loss of some 2 million jobs over the next year.⁹ Other analyses show similarly negative economic effects.¹⁰

⁶ <https://harris.uchicago.edu/news-events/news/new-poverty-measure-confirms-coronavirus-driven-federal-stimulus-measures-were>

⁷ Jeehoon Han, Bruce D. Meyer and James X. Sullivan, "Income and poverty in the COVID-19 pandemic," Brookings Institution, June 25, 2020, <https://www.brookings.edu/wp-content/uploads/2020/06/Han-et-al-conference-draft.pdf>.

⁸ Chad Stone, "CARES Act Measures Strengthening Unemployment Insurance Should Continue While Need Remains," Center on Budget and Policy Priorities, June 9, 2020, <https://www.cbpp.org/research/federal-budget/cares-act-measures-strengthening-unemployment-insurance-should-continue>.

⁹ Jason Furman, "Prepared Testimony on 'The Unemployment Pandemic: Addressing America's Jobs Crisis,'" Before the Select Subcommittee on the Coronavirus Crisis, June 18, 2020, <https://docs.house.gov/meetings/VC/VC00/20200618/110811/HHRG-116-VC00-Wstate-FurmanJ-20200618.pdf>.

¹⁰ See Josh Bivens, "Cutting off the \$600 boost to unemployment benefits would be both cruel and bad economics," Economic Policy Institute, June 26, 2020, <https://www.epi.org/blog/cutting-off-the->

The HEROES Act extends those extra federal unemployment benefits until next January. This is absolutely necessary.

The HEROES Act also provides a modest 15 percent increase in SNAP benefits, providing roughly \$100 per month more to a family of four in all SNAP households, including the poorest households who face the greatest challenges to affording food. I find this the minimum required to help protect our poor from the ravages of hunger.

The HEROES Act also wisely extends the stimulus payments contained in the CARES Act and eliminates the unnecessarily cruel provision in the CARES Act that excluded roughly 1.2 million U.S. citizens chiefly because they married immigrants who lack a Social Security number.

My only suggestion is that income supports in the HEROES Act could possibly be improved if they were part of a universal program of payroll support that kept workers attached to employers, perhaps by utilizing existing payroll tax infrastructure -- such as the system proposed by Rep. Pramila Jayapal and implemented in many European countries.¹¹

Provide health insurance

The third most urgent task is to provide health insurance to those who have lost it or never had it. Especially now, during this pandemic, it is essential that Americans be able to see a doctor so they can be rapidly diagnosed and get the care they need.

Yet ironically, more Americans are without health insurance today than before the onset of the pandemic. Between February and May of this year, 5.4 million American workers lost their employer-provided health insurance. By way of comparison, the highest

[600-boost-to-unemployment-benefits-would-be-both-cruel-and-bad-economics-new-personal-income-data-show-just-how-steep-the-coming-fiscal-cliff-will-be/](#); and "The CARES Act and the U.S. Unemployment Rate," Moody's Analytics, April 24, 2020, <https://www.economy.com/economicview/analysis/379291>.

¹¹ <https://jayapal.house.gov/2020/05/19/jayapal-introduces-paycheck-recovery-act/>

previous increase in uninsured workers occurred between 2008 and 2009 during the Great Recession, when 3.9 million Americans lost their employer-based insurance.

The CARES Act did not adequately expand health insurance coverage or pay for COVID-19-related treatment for the uninsured. The HEROES Act provides Americans who have lost their employer-provided health insurance with COBRA subsidies to maintain their coverage and creates a special enrollment period in the exchanges for uninsured Americans. This, in my view, is the least that should be done. I would also recommend temporarily expanding Medicaid to all people with annual incomes below 200 percent of the federal poverty level.

Prevent a wave of evictions

The fourth most urgent task is to prevent a pending wave of evictions. In the week ending June 30, an estimated 14.2 million adults who rent their homes — fully 1 in 5 renters — were behind on paying their rent. The rate is nearly twice as high for renters with children as for those without children, and that is *with* the additional \$600.¹² Nearly a third of Americans have already missed a housing payment in July.

The share of renters behind on rent is even higher for Black (29 percent) and Latino renters (26 percent). Black and Latino households are more likely to be renters and have lower incomes and fewer assets, putting them at higher risk of being unable to pay their rent during this crisis.

While eviction moratoriums have temporarily protected many households, those moratoriums are now ending. Moreover, renters who cannot afford to pay rent continue to accrue debt. There is growing risk this may contribute to the wave of evictions.

The HEROES Act provides \$175 billion in new supports to assist renters and homeowners make monthly rent, mortgage and utility payments and related costs. Given the severity of the economic crisis and the toll it is taking on lower-income Americans, I would think substantial additional resources are needed for housing assistance.

¹² Center for Budget and Policy Priorities, Analysis of Census Household Pulse Survey data, Housing Table 1b: Last Month's Payment Status for Renter-Occupied Housing Units, by Select Characteristics: United States, for data collected June 25-30, 2020, <https://www.census.gov/data/tables/2020/demo/hhp/hhp9.html>.

Help states and locales

The fifth most urgent task is to shore up state and local finances, soon to be hit with massive shortfalls estimated to be at least \$555 billion over three state fiscal years.¹³ The combination of falling tax revenues due to the economic crisis, greater demands on state and locales because of the pandemic, and legal and state constitutional prohibitions on deficit spending will make it impossible for states and locales to meet the challenges ahead – including additional requirements to ensure the safety of schools and the increasing needs of their inhabitants for social, transportation, and health services.

Without federal aid, the shortfalls are likely to require deep spending cuts and layoffs. In April and May alone, states and localities furloughed or laid off 1.5 million workers,¹⁴ about twice as many as were furloughed or laid off in the Great Recession. Nearly half were school employees.¹⁵ Layoffs also affected essential health care workers.

Public schools need vastly more resources in order to open safely this fall. The issue isn't so much whether to reopen, but how to do so in a way that doesn't risk the health of students, teachers, bus drivers, custodians, and other school personnel. Research suggests that young children may be more resistant to Covid-19 than adults, but children older than age of 10 appear to become infected and spread the disease at the same rate as adults.¹⁶ Our schools must not become hot spots for this disease.

Most educators know that remote learning is no substitute for in-person learning. Many of our young people don't even have adequate access to the Internet. In addition, some children depend on school lunches to provide a portion of their daily nutrition. And many working parents depend their children being in school during the day so that the parents can work.

¹³ Elizabeth McNichol and Michael Leachman, "States Continue to Face Large Shortfalls Due to COVID-19 Effects," Center on Budget and Policy Priorities, July 7, 2020, <https://www.cbpp.org/research/state-budget-and-tax/states-continue-to-face-large-shortfalls-due-to-covid-19-effects>.

¹⁴ Danielle Moran, "More State, City Jobs Lost in Two Months Than During Recession," Bloomberg News, June 5, 2020, <https://www.bnnbloomberg.ca/more-state-city-jobs-lost-in-two-months-than-during-recession-1.1446268>.

¹⁵ Michael Leachman, "Fiscal Relief Needed Now to Stop Massive State Job Loss From Becoming Permanent," Center on Budget and Policy Priorities, May 15, 2020, <https://www.cbpp.org/blog/fiscal-relief-needed-now-to-stop-massive-state-job-loss-from-becoming-permanent>.

¹⁶ <https://www.nytimes.com/2020/07/18/health/coronavirus-children-schools.html>

But opening schools safely will require far more resources than schools now have. Safety necessitates smaller numbers of students in each classroom and classroom building; ample social distancing between students; sufficient personnel to teach, ensure that students are maintaining safe practices, and monitor their temperatures and other indicia of health; and adequate protective equipment for students, teachers, and other school personnel.

The HEROES Act provides nearly \$1 trillion to state local, territorial, and tribal governments to meet all these additional responsibilities. That amount seems minimally adequate.

Concluding notes

It is easy to become inured to the daily bulletins on COVID-19 cases and deaths, and the discouraging economic news. We are also in an election year, and far too much of this health and economic crisis has become politicized. Even the information about the magnitude of the problem – numbers and trends in cases, deaths, and unemployment – has been subject to political demagoguery. But this is no time either for complacency or partisanship. We must get this right.

Cutting the payroll tax is a particularly bad idea

Some policy makers have suggested cutting the payroll tax as a means of stimulating the economy. This makes no sense, for two reasons. It would not help the millions of Americans who have lost their jobs and who are in most need of help, because they aren't paying any payroll tax. Secondly, of those who have jobs and are paying payroll taxes, cutting those taxes would help higher-income households more than lower-income households who are in greater need. That's because the higher one's income, the more is paid in Social Security and Medicare taxes. Therefore, a reduction in those taxes would disproportionately help higher-paid Americans.

This is no time to worry about the national debt.

Some policymakers are worried about the magnitudes of federal spending on COVID-19. They refer to the growing national debt.

It is important to emphasize that the debt itself is a meaningless number. The real issue is the ratio of debt to the size of the economy and to economic growth. If, as now, the economy is operating with vastly underutilized capacity, including high unemployment, government must spend large sums in order to help the economy recover faster and eventually grow more robustly – thereby reducing the ratio of debt to the overall economy over the long term. In addition, interest costs on the debt are expected to remain low for the foreseeable future.

Besides, as we learned during the Great Depression and World War II, large spending to reduce human suffering and promote economic wellbeing are well worth the cost. That is what a nation is supposed to do in times like this.