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S. HRG. 116–393

THE ECONOMIC IMPACT OF AMERICA'S FAILURE TO CONTAIN THE CORONAVIRUS

VIRTUAL HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

SEPTEMBER 22, 2020

Printed for the use of the Joint Economic Committee

Available via the World Wide Web: http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
42–188 WASHINGTON : 2021

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[Created pursuant to Sec. 5(a) of Public Law 304, 79th Congress]

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THE ECONOMIC IMPACT OF AMERICA'S FAILURE TO CONTAIN THE CORONAVIRUS

TUESDAY, SEPTEMBER 22, 2020

UNITED STATES CONGRESS,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The WebEx virtual hearing was convened, pursuant to notice, at 2:30 p.m., in Room G–01, Dirksen Senate Office Building, Hon. Donald S. Beyer Jr., Vice Chair, presiding.

Representatives present: Beyer, Frankel, Herrera Beutler, Schweikert, Beatty, and Trone.

Senators present: Lee, Klobuchar, Cassidy, Hassan, and Peters.

Staff present: Robert Bellafiore, Vanessa Brown Calder, Barry Dexter, Harry Gural, Colleen J. Healy, Christina King, Nita Somasundaram, Kyle Treasure, Jackie Varas, and Emily Volk.

OPENING STATEMENT OF HON. DONALD BEYER JR., VICE CHAIR, A U.S. REPRESENTATIVE FROM VIRGINIA

Vice Chairman Beyer. Today's hearing will be unlike almost every hearing held by the U.S. Congress Joint Economic Committee, because most often our hearings simply explore economic issues. Today, we are going to focus on public health.

When the explosion of coronavirus cases in March caused massive unemployment in April, JEC Democrats reached out to some of the most prominent economists and public health experts in the country.

Two Nobel Prize Laureates, two winners of the John Bates Clark Medal, five former Chairs of the President's Council of Economic Advisers, and three former Presidents of the National Economic Association—over two dozen in all. And every one of them conveyed the same urgent message: The top priority for healing our crippled economy is to contain the coronavirus.

Economist Austan Goolsbee, here with us today, has put it this way, quote: "The number one rule of virus economics is that you have to stop the virus before you can do anything about the economics."

And yet, tragically, we have failed to control the virus. Two hundred thousand Americans are dead—more than we lost in World War I, the Korean War, and Vietnam combined. The United States has only 4 percent of the world's population, but approximately 21 percent of the worldwide deaths.

There have been 7 million confirmed cases of COVID-19 in the United States—and this is likely a severe undercount. And the

number of cases continues to explode, with about 40,000 new positive tests a day.

As a result of this crisis, the economy has suffered a severe blow. There are nearly 12 million fewer jobs today than we had in February. The official unemployment rate is 8.4 percent—almost two-and-a-half times what it was in February.

Federal Reserve Chairman Jerome Powell says that the actual rate could actually be 3 percent higher due to problems with misclassifying workers and differentiating those who have left the labor force from the unemployed. Three point four million U.S. workers are now permanently unemployed, and that number continues to rise. Almost 30 million depend on an unemployment check to survive. Two hundred thousand deaths, economic devastation, a contagion still out of control

Tragically, no one person in our country is more responsible than the person who should be leading the fight to contain the coronavirus—The President of the United States.

President Trump's record on the coronavirus is a stunning mix of incompetence, ignorance, and callous disregard for human life. He lied to Americans and told them the virus was a "Democratic hoax," and that it would "magically disappear." At the same time, he privately admitted to Bob Woodward that the coronavirus was five times as deadly as serious strains of the flu—quote/unquote, "deadly stuff."

The President should have used the early weeks of the crisis to test for and trace the virus, purchase PPE and ventilators, and to educate the public about the steps all Americans should take to protect themselves and others.

However, it took more than seven weeks after the first confirmed case in the United States for him to declare a national emergency. If America had moved a week or two sooner to implement social distancing measures, it could have and would have saved tens of thousands of lives, according to research by Columbia University.

The President ignored the advice of public health experts. He said that he knew more about public health than they did. He mocked people who wore masks. He refused to wear one, despite the fact that masks can play an important role in slowing the spread of the virus.

He endangered people's lives by promoting the use of hydroxychloroquine, which has been shown by scientists to have no impact on treating COVID and carries substantial risks.

He recommended injecting disinfectant to fight the virus, and sadly some Americans actually did. He claimed that children are, quote, "almost immune."

In every case, the President was wrong—dead wrong.

Public health officials argued that reopening prematurely would lead to a second wave of infections and deaths. But the President ignored them. He said in March that, quote, "we cannot let the cure be worse than the problem itself."

He goaded governors to reopen the economy. He told Americans that public health measures were tyranny. He said to, quote, "Liberate Michigan" while supporters demonstrated—with guns—at state capitals. And he held large political rallies defying experts who warned that these could become super-spreading events. And

as a result of these reckless and callous actions, coronavirus cases spiked and people died.

The number of new infections on Labor Day were double what they were on Memorial Day, 40,000 new cases per day.

The President's insistence on prematurely reopening the economy had a self-serving purpose—to make the economy look stronger in the months leading to Election Day.

As Washington Post columnist Catherine Rampell pointed out back in April, it was a big gamble—a gamble with American lives. A gamble with the U.S. economy. The gamble already has resulted in more cases and more deaths, but in the short term it made the economy look better.

Between May and August, the economy regained about half of the jobs lost. The unemployment rate dropped from almost 15 percent to 8.4 percent—still about 2.5 times higher than the February rate. And the President is betting that the next jobs numbers, when they are released next Friday, will continue to show marginal improvement. And that the cost of reopening too soon will not be obvious until after the election.

While we do not know what the numbers will reveal, one thing is certain: The true impact of the President's gamble will not be evident until it is too late.

Donald Trump holds the vast power of the U.S. Presidency—but he has refused to use it. He has not contained the coronavirus, but has unleashed it. As a result, many more lives will be lost. And in the long term, the economy will suffer.

The President's failure to make even the most meager effort to contain the coronavirus is his economic legacy.

I look forward to the testimony of our witnesses, and I recognize the Chairman of the Full Committee, Senator Mike Lee, for his comments.

[The prepared statement of Vice Chair Beyer appears in the Submissions for the Record on page 38.]

OPENING STATEMENT OF HON. MIKE LEE, CHAIRMAN, A U.S. SENATOR FROM UTAH

Chairman Lee. Thank you so much, Mr. Vice Chairman, for today's hearing on this really important topic.

The novel coronavirus, as it has swept across the Nation and worked its way around the world this year, has left a veritable trail of devastation in its path. It has imposed not only serious physical disease, but it has also imposed severe economic ills as well. Jobs have been lost. Businesses have been shuttered. And entire sectors of industry have been disrupted.

In response to these unprecedented issues brought on by this fairly unique crisis, we have taken unprecedented government action. But as in the successful treatment of any illness, we have to make sure that we are using the proper remedies, and that we first do no harm.

So as we take stock of our current response to this pandemic, we need to consider how policy has both hurt and helped so far, and what we can do to improve. What might be the right solutions moving forward? Both for this public health crisis that we're dealing

with right now, and for whatever might come next, whatever might fly in our path in the future.

While some have called for still more aggressive Federal responses for more stimulus, a nationally coordinated response led by the Administration, and more widespread lockdowns, the benefits of policies like those have to be weighed against the cost that they impose on society, economically and otherwise.

There are a whole host of possible unintended and, in many cases, unpleasant consequences. For instance, we know that large-scale stimulus can have a tendency to exacerbate our already whopping national debt, and can have a tendency to crowd out private investment.

Officially, the enhanced unemployment benefits included in the CARES Act provided a disincentive for those who are unemployed to return to work, thus inhibiting economic recovery.

In addition to economic devastations, lockdowns have had other negative effects by their very nature. Mandated isolation has either spurred, or in some cases worsened, mental health issues for a lot of people. And it has stopped countless others from getting routine health screenings and vaccinations, prohibited or discouraged others from maintaining their health in other ways, and in these respects it has, in and of itself, caused death or illness that might not otherwise have happened, that might otherwise have been prevented.

In fact, as the second wave of the coronavirus has been rebounding across Europe, the continents' governments are now intent on avoiding any large-scale lockdowns and instead are focusing on more tailored, more localized measures to combat outbreaks as they happen based on the knowledge they have from day to day on how best to manage infections.

Finally, we ought to make sure that the Federal policy, that any Federal policy adopted in Washington is certainly not inhibiting sound and effective solutions. Unfortunately, evidence shows that it already has, especially in the early days of this particular crisis.

For instance, outdated Certificate of Need rules prevented hospitals from acquiring new beds and equipment. And the FDA and CDC rules against at-home testing posed an early barrier to disease control. But perhaps the worst failure of all was something that involved the sheer bureaucratic chaos that fatefully delayed effective testing for an entire month.

Now thankfully we have already removed some of these barriers, some of these regulations that were stopping us from making the progress we otherwise needed to make. Two important changes have been allowing doctors to practice medicine across state lines, as well as allowing doctors to provide care through the use of telemedicine technology.

This is exactly the kind of regulatory flexibility that we should consider moving forward so that we can quite quickly and freely administer to those whose needs require it, regardless of where the provider might be, and regardless of where the patient might be.

As we continue to respond to the coronavirus, I think we need to acknowledge the ways that sweeping, centralized, one-size-fits-all Federal policies can ultimately worsen our attempts at recovery, if we are to have flexibility and resiliency of the sort that we need

in the face of this crisis and when faced with whatever might come our way in the future, we ought to really, instead, empower our states and localities, which best understand how their own resources, their own needs, and their own communities can be addressed and devoted.

The American people have always played a critical role in governing locally, volunteering and innovating to respond especially in times of crisis.

I look forward to hearing our panelists' contributions today as to how best we can continue doing just that. Thank you.

[The prepared statement of Chairman Lee appears in the Submissions for the Record on page 39.]

Vice Chairman Beyer. Mr. Chairman, thank you very much. I really appreciate it.

Now I would like to introduce our four distinguished witnesses. First we have Dr. Ashish Jha, who is the Dean of the Brown University School of Public Health. And since I am the father of one Brown graduate, and about to have a Brown son-in-law, it is wonderful to have you here. He is a recognized expert on pandemic preparedness, has been at the forefront of providing analysis of the COVID-19 response. Previously, Dr. Jha was a faculty member at the Harvard T.H. Chan School of Public Health at Harvard Medical School. He directed the Harvard Global Health Institute from 2014 to the fall of 2020. He is a practicing physician and earned his M.D. and M.P.H. degrees at Harvard; and has a B.A. in Economics from Columbia University.

Next will be Dr. Austan Goolsbee, who is the Robert P. Gwinn Professor of Economics at the University of Chicago Booth School of Business. Dr. Goolsbee served as Chairman of the Council of Economic Advisers from 2010 to 2011; as the Chairman of the Council of Economic Affairs Advisers member from 2009 to 2010. Since 2012 he has been a member of the Economic Advisory Panel to the Federal Reserve Bank of New York. In addition to his teaching and research, Dr. Goolsbee writes regularly on economic issues for national News outlets. He earned his Ph.D. in Economics from Massachusetts Institute of Technology, as well as an M.A. and B.A. in Economics from Yale University.

Next we will have Dr. Jeffrey Singer, who is a Senior Fellow at the Cato Institute where he works in the Department of Health Policy Studies. A general surgeon with more than 35 years of experience, Dr. Singer is the principal founder of the largest and oldest group private surgical practice in Arizona. In addition, he is a Visiting Fellow at the Goldwater Institute, and a member of the Board of Scientific Advisors of the American Council on Science and Health. Dr. Singer received his B.A. from Brooklyn College, CUNY, and his M.D. from New York Medical College.

And finally, we will hear from Dr. Adam Michel, who is a Senior Policy Analyst at the Grover M. Hermann Center for the Federal Budget at the Heritage Foundation. His research focuses on how taxes impact the well-being and opportunity of Americans. Dr. Michel is published and quoted widely by national news outlets, and appears regularly on broadcast television to provide his perspective on taxes and economic issues. Previously, Dr. Michel was the Program Manager for the Spending and Budget Initiative at

the Mercatus Center at George Mason University. He received his Ph.D. in Economics from George Mason University, and a B.A. in Politics from Whitman College.

With that, I turn the floor over to Dr. Jha for your opening comments.

Dr. Jha.

STATEMENT OF DR. ASHISH K. JHA, M.D., M.P.H., DEAN, BROWN UNIVERSITY SCHOOL OF PUBLIC HEALTH, PROVIDENCE, RI

Dr. Jha. Great. Thank you, Chairman Lee and Vice Chairman Beyer, members of the Committee. As Vice Chairman Beyer said, my name is Ashish Jha. I am a practicing physician and a public health professor at Brown University, and it is my honor to be here today.

Earlier today, the Hopkins COVID Dashboard reported that more than 200,000 Americans have died from COVID-19. This is a tragedy of immense magnitude. And we have to ask ourselves how did we get here? How did we become the world's epicenter, the nation with the most cases, the most suffering, the most deaths?

When we take a look—when we take a step back and look at disease outbreaks, there are two major sets of strategies that any nation should pursue. Public health measures that control the virus and slow the spread; and biomedical measures that mitigate against the worst effects when people become infected.

Fundamentally, we find ourselves where we are because we failed to effectively put in place public health measures that we know can control the virus. And it did not need to be this way. So let us talk about the three key public health measures that are so critical to controlling this virus:

The first is testing, tracing, isolation. This strategy, where infected people are identified and isolated is an old and well-tried approach to disease outbreaks. Yet, in our Nation we failed to set up a testing infrastructure through much of January and February, having only rudimentary testing through March and April. Even now, we cannot perform nearly the number of tests our Nation needs.

The result was that for much of the early months of the outbreak, our Nation was blind to the spread of the disease, finding ourselves in March with large outbreaks in several parts of the Nation. And because we had little testing capacity, we were forced into a painful national shutdown where good testing would have allowed us to be far more selective and measured.

Which gets us to the second leg of the three-legged stool of virus control: social distancing. The most extreme version of which is lockdowns. When we locked down, we did so unevenly. And while the lockdown slowed the spread in some areas of the country, other regions remained largely open and the virus spread. And when we opened up the Nation more fully after Memorial Day, we did so with little regard to social distancing, causing large spikes and deaths over the summer.

And finally, the third leg of the stool is wearing masks. By the end of March, the data on masks was pretty clear. And in early April, the CDC recommended widespread mask wearing. Yet, even

today 17 states do not have a mandatory mask order, and mask wearing across our Nation is highly variable.

The failure to effectively and fully implement these public health measures has meant that we have more cases and more deaths than any nation in the world. And the economic costs of failing to control the virus are large, as well. Large declines in economic activity and employment, and loss of business.

So are these economic losses the costs of controlling the virus? Actually, quite the opposite. When we look across the world, we find that nations that did a better job of controlling the virus have largely suffered far less in the way of economic losses. And I want to highlight three nations.

South Korea has largely relied on testing and tracing, building up an infrastructure early. And as a result, they have had fewer than 400 deaths. That is less than California had last week.

Japan relied on contact tracing and mask wearing, and not as much on testing. And less than 1,500 Japanese have died.

And Germany has had a mix of testing, and mask wearing, and clear communication about social distancing, and their death rate is 80 percent less than ours.

So have these countries sacrificed their economies to control the virus? In fact, when you look at the countries with the smallest declines in GDP, they include Taiwan, another standout on virus control, and south Korea. And while Germany and Japan have suffered large economic declines, their unemployment rates are less than half of ours.

Most high-income countries, not all, but most have managed to both save lives and jobs. We have struggled in both areas. Ultimately as we look ahead, we need to focus on a path that allows us to save lives and livelihoods.

The best way to do that is to use a public health approach to restoring our economy. And while I have my own views on how best to do this, the very best guide today was published by this White House in April of this year. In a document entitled "Opening Up America Again," it laid out a clear public health approach, and a set of metrics and guidelines that our Nation unfortunately ignored.

I believe we can and need to ensure we have a robust economic recovery, because that is what American people want, but not at the cost of losing their lives. Thankfully, all the evidence says that we do not have to choose. If we commit to controlling the virus, we can build the confidence and conditions necessary to helping America economically thrive again.

Thank you, very much.

[The prepared statement of Dr. Ashish K. Jha appears in the Submissions for the Record on page 41.]

Vice Chairman Beyer. Dr. Jha, thank you very much. We greatly appreciate it.

I would like to now introduce Dr. Austan Goolsbee for his five minutes.

STATEMENT OF DR. AUSTAN D. GOOLSBEE, ROBERT P. GWINN PROFESSOR, UNIVERSITY OF CHICAGO, BOOTH SCHOOL OF BUSINESS, CHICAGO, IL

Dr. Goolsbee. Thank you, Mr. Vice Chair, and Mr. Chairman. I applaud you for having this hearing. There is really, on the economic side, nothing more important.

As I have only five minutes, I wanted to make three simple points, and some of which will overlap with what we just heard.

As an introduction, I would remind you to a piece I wrote in my New York Times column on March 7th when there had only been a handful of deaths in the United States, and the contention from the White House had been that this disease and potential pandemic was locked down airtight and was not going to spread around the country. And I wrote this article saying, if we had a health outbreak in this country of the magnitude of what they had in China, given the structure of the U.S. economy and the structure of really all the rich countries' economies, the economic impact would be worse here than it even was in China, which was devastating. But it would be worse because we have so much more focus on service sector industries and face-to-face interactions.

And it was a warning, and it was my fervent hope that that warning never come to play. And, unfortunately, it did. And so the three points that I would make—maybe there are two-and-a-half points—but the first point is:

It is not a tradeoff between the economy and public health/saving lives. You heard that from the distinguished doctor just previously, and I would just re-emphasize that on the economic side.

What killed the economy, what put us into as fast a drop as has ever happened in this country economically, was not the imposition of policy lockdowns. That is not what killed the economy. The data is overwhelmingly clear that the economic drop began before the lockdowns were ever in place; that the drop in economic activity is very similar in places that had lockdowns and places that did not have lockdowns.

The main thing that drove the economic decline is the same thing that always drives decline in a crisis, and that is when people are afraid, they withdraw. And in this case they were afraid of catching the disease, so they stayed home. The United States is particularly vulnerable on the health side, as you know, because of the factors that are correlated with the disease having a more negative impact. Obesity, previous heart conditions, diabetes, being over age 65, if you look at all of the groups at risk, by some estimates it adds up to a majority of the American people.

So you can see why people would be afraid when they hear that a disease that has those features is spreading around; that there is not enough testing for them to be able to feel comfortable going out without catching it; that they are going to stay home.

And you need only look at the airline industry, where there are no laws forbidding people from flying, but the demand for air travel plunged anyway, because people are themselves nervous.

I have done some research that I will cite in the written testimony with another economist where we got access to the phone location records for visitors to 2.5 million businesses around the United states. And we compared across metropolitan areas in the

same week where on one side of the border they had a lockdown order, and on the other side they did not. So an example would be the Quad Cities on the border of Iowa and Illinois where Moline, Illinois, had a shutdown order. If you look at Bettendorf, Iowa, they did not. The demand went down only about seven percent more in places with shutdown orders than not with shutdown orders.

It was not the policy that did it. As I always say, the virus is the boss. If we cannot stop the spread of the virus, then we cannot bring the economy back to where we were even, much less grow at the rate that we needed to grown. It is not a tradeoff, and that is what is critical to see.

My second point, and maybe it is just a half-point, is that the relief payments that the U.S. Government has provided to small business, to individuals, to the unemployed, to large businesses, et cetera, they are necessary to get us through this problem, but they are not sufficient to restart the economy.

To restart the economy we have to stop the spread of the virus. So I believe that there is a perfectly valid debate to have about what forms of relief are most effective, and what are the best ways to enact those, but we are quite seriously in a position where we are burning money to prevent ourselves from freezing to death while the furnace is out.

And it is necessary. You do not want to freeze to death. But we must remember that we have to get the furnace back running, and the only way to get the furnace running is to slow the rate of the spread of the virus.

The third point I will make is that it is not too late. It is not too late to simply do what other rich countries around the world have done to both slow the rate of spread of the virus, and allow their economies to turn around more rapidly than the United States has.

So they have taken different approaches, whether it is more testing, more mask wearing, public health measures, but even without a vaccine, without a vaccine to SARs, without a vaccine to MERS, for a long time there was no vaccine to Ebola, we still got control of the spread of those viruses by public health measures to stop the infection rate.

If you take the work of Harry Holzer at Georgetown who published for Brookings, if the United States had simply addressed the virus with the same effectiveness as the average for other rich countries, we would have nine million more people at work, and we would have more than 100,000 fewer people dead from this virus.

We must commit ourselves, I believe, to slowing the rate of spread of the virus in every way that we can. Otherwise, the economy will continue to suffer. It is not a choice to be made by a President, by a governor, by a mayor, it is a choice that is made by every consumer every day when they decide are they afraid to go outside. And I think we must keep that in mind.

[The prepared statement of Dr. Austan D. Goolsbee appears in the Submissions for the Record on page 50.]

Vice Chairman Beyer. Professor, thank you very much.

We will now hear from Dr. Singer. The floor is yours.

STATEMENT OF DR. JEFFREY A. SINGER, M.D., F.A.C.S., SENIOR FELLOW, CATO INSTITUTE, WASHINGTON, DC

Dr. Singer. Thank you, Mr. Vice Chairman and Mr. Chairman, and members of the Committee. I really appreciate being invited to testify.

I will briefly summarize the key points in my written testimony.

The Food and Drug Administration's test approval process caused an avoidable, harmful delay in getting test kits to the general public. The FDA should have authorized tests already in use in similar countries. Eventually, the FDA permitted states to independently approve tests for use within their own borders. When the public health crisis ends, FDA testing policy should not return to the status quo ante.

S. 3769, the Right to Test Act, would grant authority to states to approve tests within their borders whenever the Secretary of Health and Human Services declares a public health emergency. Congress should consider granting states the authority to approve drugs and tests and other devices that may be marketed within their borders, even when there is not a public health emergency.

Congress should also pass legislation granting reciprocal approval to drugs and medical devices in similar countries. Reciprocity already exists among the European Union states, plus Iceland, Lichtenstein, and Norway.

S. 2161, which was introduced in July of 2019, also called The Result Act, would allow for the marketing of drugs approved in certain countries but not yet approved by the FDA, if, quote, "there is an unmet need." Close quote. While this is indeed a step in the right direction, in the interests of promoting competition and consumer choice, reciprocal approval should not be contingent on an unmet need.

In several states, governors suspended state licensing laws allowing practitioners licensed in any state to come to the aid of their residents. These emergency actions tacitly recognized a pressing problem: state clinician licensing was blocking access to care.

In 2019, Arizona became the first of now several states to enact laws recognizing the out-of-state occupational and professional licenses of those who establish permanent locations within their jurisdictions. The remaining states, and the District of Columbia, should do the same.

However, requiring health care practitioners to establish permanent in-state locations makes the reform less effective. States should remove this requirement. States should also grant reciprocity to health care practitioners licensed in certain other countries that have reputations for quality medical education and develop provisional license programs to integrate practitioners from less advanced countries into the pool of health care providers. Canada, Australia, New Zealand, and most EU countries offer provisional licenses.

State licensing laws also impede the widespread use of telemedicine. Most states only let health care practitioners provide telemedicine to patients in states in which the providers are licensed. To the extent, consistent with its authority, to tear down barriers to interstate commerce under Article I of Section 8 of the Constitution, Congress should define the "locus of care" as the state in

which the practitioner is located, as opposed to the state in which the consumer resides. While states have the Constitutional authority to regulate the practice of medicine for residents within their borders, crossing state lines to provide telemedicine or short-term care can reasonably be classified as interstate commerce.

Where did you lose me?

Vice Chairman Beyer. A few sentences back.

Dr. Singer. Was I done talking about provisional licensing in

Vice Chairman Beyer. Right there.

Dr. Singer. Okay, state licensing laws also impede the widespread use of telemedicine. Most states only let health care practitioners provide telemedicine to patients in states in which the providers are licensed.

To the extent, consistent with its authority to tear down barriers to interstate commerce under Article I, Section 8, of the Constitution, Congress should define the "locus of care" as the state in which the practitioner is located as opposed to the state in which the consumer of the service resides. While states have Constitutional authority to regulate the practice of medicine for residents within their borders, crossing state lines to provide telemedicine or short-term in-person care can reasonably be classified as commerce—as interstate commerce.

S. 3993 introduced in the U.S. Senate on June 17, would define the "locus of care" as the state in which the practitioner is licensed, but would only apply to this pandemic and would be limited to telemedicine. This should not just be limited to telemedicine or to this pandemic. It should be permanent, and it should also apply to practitioners who provide short-term in-person care across state lines.

State certificates of need laws like licensing laws are heavily influenced by incumbent providers and render state health systems unable to rapidly meet the changing demands of public health emergencies. The Joint Economic Committee and the relevant committees of the U.S. Senate and House of Representatives should investigate whether state certificate of need laws and state licensing laws constitute antitrust violations. Individual Members of Congress, or Congress as a whole, should direct the Federal Trade Commission to use its existing authority to enhance scrutiny of these state laws.

And then finally, while the harmful effects of the pandemic occur in real time, the public health consequences of many policy tradeoffs may not be readily apparent but are nonetheless extremely damaging. And many economic tradeoffs of pandemic policy factor into the social determinants of health.

Policymakers should be sensitive to both the seen and the unseen consequences of pandemic policy. The disparity between what is seen and what is not seen incentivizes government officials to be overly cautious and impose more restrictions for longer lengths of time than what might really be necessary.

On all levels of government, one-size-fits-all measures should be kept to a minimum, and civil society should be informed, guided, and entrusted to work out suitable solutions using local knowledge.

Thank you, once again.

[The prepared statement of Dr. Jeffrey A. Singer appears in the Submissions for the Record on page 52.]

Vice Chairman Beyer. Dr. Singer. Thank you very much. And now, finally, Dr. Adam Michel.

STATEMENT OF DR. ADAM MICHEL, SENIOR POLICY ANALYST, GROVER M. HERMANN CENTER FOR THE FEDERAL BUDGET, THE HERITAGE FOUNDATION, WASHINGTON, DC

Dr. Michel. Vice Chair Beyer, Chairman Lee, thank you for the opportunity to be here today.

Now it has been almost seven months into this crisis, and I do not think anyone has lost sight of the devastating cost to our health and our livelihoods from the coronavirus. What we can lose sight of is the Federal fiscal response has been equally unprecedented.

I am going to begin with a brief overview of the current landscape, highlight the inability of Congress to stimulate an economic recovery with more spending, and then briefly outline three areas where Congress can help facilitate recovery.

To date, Congress has authorized $4 trillion in aid, and the Federal Reserve has made another $7 trillion available. Due to the significant Federal transfers, disposable personal income and personal savings have actually increased during the height of the crisis, and have remained elevated.

These temporary programs represent a powerful one-time action, but they are not a sustainable solution, especially if the path of the virus over the next year or more remains highly uncertain.

The trillions in new programs that have already been authorized will also have future costs. They will discourage work. They will keep businesses from retooling for the new normal. And they will add to public debt which will lead to future tax increases.

The Federal Government cannot keep the U.S. economy on life support forever. Americans must be allowed to return to work, return to their communities, and return to their schools.

Since February's peak, we have recovered about half of the jobs we lost in the Spring. Other economic indicators are also trending in a positive direction. Given this swift turnaround, I want to caution you that this is not proof that the trillions of dollars spent over the past several months are responsible for the good news.

Historical evidence makes it clear that stimulus spending is not an effective way to revive failing economies, and early estimates of things like the paycheck protection program put the cost of each job saved as just shy of $300,000. Ultimately, governments are not able to tax and spend their way back to economic prosperity. Instead, the quicker-than-expected rebound has been driven by Americans ready to re-engage in their communities and return to work.

The recovery will continue to follow people's willingness and ability to return to work, return to school, and return to their communities. So what can be done?

First, states should allow businesses and schools to reopen, with safety measures in place. Congress can help facilitate this reopening by protecting workers and protecting employers with liability measures to shield from frivolous lawsuits.

Second, Congress can increase access to business capital so that those who do reopen existing businesses can expand, and entrepreneurs who take on risks of bringing new ideas to market to fill

new needs in the crisis economy will be able to scale up. Things like full expensing and streamlined rules around raising funds can go a long way toward facilitating a quick recovery.

Lastly, Congress can increase worker flexibility. With limited jobs available, people need options. And with kids at home, and other constraints, people need additional flexibility. Last year, 76 percent of people said they would consider freelancing if we were in a recession. Congress could make finding these type of flexible work arrangements easier by streamlining the multiple definitions of what an "employee" is, and providing safe harbors for non-wage benefits for freelance workers. Traditional workplaces can also be made more flexible by rolling back recent increases to overtime thresholds, and creating things like universal savings accounts so that all Americans can save more of their earnings regardless of their employment status.

Additional large-scale Federal aid threatens to derail the recovery. New stimulus checks, temporary payroll tax holidays, and more Federal spending to inflate state budgets, or new infrastructure spending, are all misguided attempts to support the economy.

Additional stimulus spending will simply worsen America's budget imbalances without the benefits of a promised economic boost.

Thank you, and I look forward to your questions.

[The prepared statement of Dr. Adam Michel appears in the Submissions for the Record on page 59.]

Vice Chairman Beyer. Dr. Michel, thank you very much. We have finished with the presentations of our experts and we will begin a round of questions. As the Acting Vice Chair today, I get to start.

So let me begin. Dr. Goolsbee, I am fascinated by your research that shows that the cause of the downturn was not lockdowns, but people with money choosing not to spend on personal services outside the home.

What does that tell us about prospects for boosting consumption with the virus still raging across the country, with 40,000 new confirmed cases a day?

Dr. Goolsbee. Yeah, it does not bode well. This finding that we had has also been shown in other data. Ours, as I said, was based on phone records and where people physically visited stores. There have been others who got credit card records of what people spend money on.

And the thing we highlight in the paper that I would call your attention to is, the prevalence of the disease in your local area, in your county, matters a lot for whether people go out to visit stores, go to the barber shop, et cetera. And if you do something that increases the infection rate, you can easily undo even the economic potential that you are hoping to accomplish by say easing the lockdowns.

So we show in the paper that in those places where they get rid of their lockdown orders, you see only a modest improvement to their economies of a little less than 7 percent, because the lockdown was not the thing that was killing it. And if repealing that lockdown lets the virus go up more, it can easily, over the medium and long run, do more economic damage than you did improvement by getting rid of the orders.

Vice Chairman Beyer. You were Chairman of the Council of Economic Advisers. Dr. Michel was just talking about how stimulus has no impact. Do you think things like the unemployment insurance bump, and the paycheck protection were intended as stimulus? Or simply to allow people to survive, and businesses to survive?

Dr. Goolsbee. Well I think that is an important distinction. Look, we can argue—and I do not agree with the evidence that stimulus is always and everywhere ineffective. I think there are many examples where the impact of stimulus can be positive.

In this case, these were relief and rescue payments. These are not traditional stimulus of the form, let us spend this money to try to jump-start the economy. This is literally so that people do not lose their homes, so that businesses do not permanently have to liquidate while waiting out this temporary storm.

Vice Chairman Beyer. Thank you very much.

Dr. Jha, you laid out in your testimony a lot of what was mishandled in the U.S. response to COVID. I was fascinated by your comparisons with South Korea, Japan, Taiwan, Australia, and Germany. The costs have been enormous. If we had had the kind of response that Germany has had, for example, any idea how many American lives could have been saved?

Dr. Jha. Yes, Congressman. You know, it is interesting. Germany is interesting because it is not some small, tiny northern European country. It has a population of 80 million. It is a pretty federal government where states have a lot of say. So in many ways it reflects the structure of our Nation. And their mortality rate has been about 80 percent lower than ours.

And so if you just simply do the math, if our population was the same as Germany, we would have had about 40,000 deaths, not 200,000, or 160,000 fewer Americans would have died if we had the same death rate that Germany has had.

Vice Chairman Beyer. Thank you very much. In the last couple of days we have seen people say we may be wearing masks through all of 2021, and with this airborne that the masks may be more effective, at least in the short run, than the vaccine.

How do we—how does an American leader encourage people to wear masks, to get over this notion that masks are some kind of assault on our rights as an American?

Dr. Jha. What I always hear them bring up is that viruses create a lot of assaults on our freedoms. And the question is: which assaults do you care about? I have three children. I want them back in school. Their inability to get back to school is an assault on their freedom and ours. The inability of people to get back to work is an assault on their freedom.

So if everybody wore masks, and we did some of the other public health—let's just focus on masks. If we had universal mask wearing, we would have a lot more kids back in school. We would have a lot more people back at work. Those are real freedoms that would come from basic public health measures.

We have never, in a public health crisis, said individual freedom is paramount. In public health crises, like in times of war, we have said that there are national and social responsibilities that are just as important as individual decisionmaking.

I do think that there are real tradeoffs here, and they cannot just be about whether you want to wear a mask or not. It is about what kind of society do we want to live in.

Vice Chairman Beyer. Thank you, Dr. Jha, very much. My time is up. I would like to recognize the Full Chairman of the Committee, Senator Lee.

Chairman Lee. Thank you so much, Vice Chair Beyer.

Dr. Singer, I would like to start with you if we can. In your testimony, you highlight the importance of considering other negative health impacts of the pandemic—meaning other health implications, including things like increased mental health problems, delayed vaccinations for children, and decreased access to routine care.

Can you suggest ideas or strategies to ensure that these important kinds of health care are not neglected?

Dr. Singer. Yes, first I would like to say I concur with Dr. Goolsbee, and in fact a lot of evidence has shown that regardless of whether there is a one-size-fits-all lockdown that is imposed, people are not going to engage in economic activity until they feel unafraid. Even in the early days of this pandemic, I think it was in early March, Open Table, for example, was reporting a tremendous drop off in people making reservations at restaurants.

So some of the tradeoffs actually are not a direct result of government policy; they are the result of people on their own making decisions out of fear. For example, I am a surgeon and we had a blanket moratorium on all nonemergency surgery. It was called elective surgery. A lot of people mistake "elective" for being unnecessary, but it is necessary. It is just that you can schedule it.

And we were seeing people show up in the emergency rooms with very advanced cases of surgical emergencies that, the reason they were advanced is because the people let them go. People were coming in with appendicitis that had ruptured days ago because they were afraid of catching COVID if they went to the emergency room.

And then of course there are people who already, for example, with substance use disorder, and a large part of treatment for substance use disorder involves connection. And when you are isolated to the home, not only are you cut off from your rehab program, but you are also cut off from connection to people. And this tends to make people relapse, the people who are depressed have an increased suicide rate, and we are seeing people neglect their health in general because they are afraid to come to the doctor's office for maintenance visits dealing with maintaining their medications that have to do with their heart, or their lungs, or blood pressure.

Chairman Lee. Thank you. A related question I wanted to ask you, Dr. Singer, when we talk about disparities between the United States and other countries that we would consider to be our peer nations, are there explanations for that other than just people are getting sick at a higher rate here?

In other words, are there differences between the testing protocols adopted by the United States and testing protocols adopted by some of our peer nations?

Dr. Singer. Well, there are so many multiple factors at play, so it is really hard to make an apples to apples comparison. But in many cases, many of the other nations got their testing going much

more quickly. In Germany, they were doing testing in late January, with a private-sector developed test. And we all know about Korea's success. Korea's success was built upon their experience with the MERS outbreak back in 2015 where they learned that they need to allow the private sector to get out there with tests right away. So they revised their process, that unfortunately we have here in the United States, which slowed down the wheels of progress. So they basically had it set up that private labs can get busy getting tests out, and just keep their version of the FDA in the loop and informed as things were going forward.

In our case, the FDA basically gave, for all intents and purposes, a monopoly to the CDC to develop a test, and then when the test turned out to be defective in late February, it began playing catch-up.

So a lot of it I think has to do with our regulatory system. Sad to say, we are supposed to be the beacon of free markets and limited government, but a lot of the other countries that do not have the reputation that we have, seemed to be much more flexible, and had actually decreased regulation. And they were able to respond more quickly. I think that had a lot to do with it.

Chairman Lee. That makes sense. I have another question for Dr. Michel, and for you again, Dr. Singer. A recent Wall Street Journal article noted that, despite cases in Europe rising, there are a lot of leaders who are now rejecting lockdowns. One physician who coordinates an EU scientific advisory panel observed that the scientific evidence that led to lockdowns failed to consider the broader social and economic repercussions.

He is now advising policymakers to ask people to, quote, "take personal responsibility to curb the disease by adhering to social distancing, wearing masks, avoiding crowded spaces, and staying away from people at greater risk." Close quote. Rather than relying on government.

So in your view, starting with you, Dr. Michel, would a national lockdown of the United States, starting in the spring, have been misguided and should policymakers and health experts update our messaging to emphasize personal responsibility?

Dr. Michel. Yes. I think you are exactly right. The most economically costly public health measures are also those that are least effective at controlling the virus. Namely, lockdowns and stay-at-home orders. When you look across the country, across states, there is very little evidence to show that the legal restrictions on distancing and movement are what decrease the spread of the virus.

So focusing on testing, focusing on isolating those who are sick, these are the things that we know work, and I think that should be where our public health response remains.

Chairman Lee. Dr. Singer, would you respond to that?

Dr. Singer. Yeah, I agree. All you have to do is look to what is going on in the rest of the world. All of the countries that had lockdowns are now experiencing surges in cases. So the lockdowns—the virus—everybody seems to think if you stay locked down long enough, this virus will get bored and go to some other planet. This virus is here. It is not going away. We have to learn to basically adopt harm-reduction measures, because this—even if

we get a vaccine, we do not know how effective the vaccine is going to be.

So we have—fortunately, now, eight months into this thing, we know a lot more about the virus. We know who we need to particularly protect. We know what kind of behaviors we should adopt that would decrease risk.

And while I can understand the lockdowns early on when we knew very little, we know much more now. And I do not think there is any excuse for it. In addition, I think it is important—and I have written about this—that when these decisions are made, as decentralized and localized as possible based on local knowledge, then different areas based upon changes in circumstances, can adjust.

When all the decisionmaking authority is placed in one person, then, no matter who that person is, there is going to be an incentive for that person to be overly cautious because the first thing you are going to see when regulations are relaxed is cases go up. And that is on that person. Whereas, what you do not see readily are the other long-term tradeoffs, and public health tradeoffs as well, from delaying the relaxation of those decisions.

So again, these things, we should try to handle them as much as possible by having an informed public, with consistent information, being told what they need to do to make the adjustments at the local level.

Chairman Lee. Dr. Singer, you have just made what I think is one of the best arguments I have ever heard for the American form of government. That is, for the twin structural protections of federalism and separation of powers.

Our entire system of government was built around the idea that we do not want any one person, or one group of people, to accumulate excessive power. And it applies not only in spite of, but specifically in the midst of something like the COVID pandemic. You do not want to put all of your decisionmaking power at the national level, even where there are national decisions to be made. You do not necessarily want to focus that in one person. And you just pointed out some reasons grounded in medical science why that is the case. So I appreciate that perspective.

Okay, my time has expired. We are going to turn next to Senator Klobuchar.

[Pause.]

Senator Klobuchar, are you there?

Senator Klobuchar. Very good. I can. Thank you.

Thank you all for this hearing, and I want to start out with you, Dr. Goolsbee. Thank you for your words about masks, and about tracking, and about being able to relate this pandemic—I think we all think of the pandemic, and we do not want to get sick, and many people have personally lost loved ones. My husband was in the hospital for a week, and came out of it. But I think sometimes we do not connect it with the economics, which is also an important thing for people to see.

As we wait for a vaccine, we need the masks, we need the tracking, and it is about keeping us safe. But it is also about keeping our economy in a place where we can at some point go back to where it was.

I guess my first question was how long do you estimate it would take to make up the economic productivity and growth that we have lost?

Dr. Goolsbee. Well, that is a critical question, clearly, and the answer depends totally on whether we can get control of this virus. If we could get the reproduction rate, the R value, of the virus down to less than one, and the spread of it was simply at the rate that it has been in other rich countries, I actually think that in much of the economy the turnaround could be pretty rapid.

There are still going to be some areas, like cruise ships, where until there is a vaccine it is kind of hard to see that sector going back to what it was before. But I think it could be turned around fairly quickly.

Senator Klobuchar. So while we wait for the vaccine, we could be in a much better place economically if we had an Administration that was putting it in place.

Dr. Goolsbee. And to highlight in other countries. We talked about Germany, Australia, New Zealand, places where they handled the disease better.

If you look at how much their unemployment rates are higher, or have changed now compared with before the vaccine was there, the U.S. is by far an outlier. So our unemployment rate is more than double what it was when it arrived.

If you look—I have the list here—in Germany, the unemployment rate is up only one percentage point. In Korea, it is actually down. In France and New Zealand, it is down. Even in Japan it is up a half a percent. In Italy, five percent.

Senator Klobuchar. Yes. Those are not our numbers. One area, I just want to ask one more question here. You were mentioning certain areas of the economy. I think one of the things we know is that one size does not fit all. Tech for the most part is booming. And then you have the hospitality industry with restaurants and certain hotels, not all, but certain hotels very much hurt. And then you have venues. And this is a bill Senator Cornyn and I have to save our stages all over the country. You cannot exactly go stand in a mosh pit during a pandemic. They were some of the first to close and will be some of the last to open. And we now have 40 co-sponsors in the Senate. The House has similar. Very bipartisan. It would help with grants to these venues. This includes places like First Avenue, where we would not have had Prince, but it also includes the Fargo Theater, and small and mid-sized towns.

Oftentimes we will have one cultural venue that is so important. Could you explain why that is important for the economies that surround these venues?

Dr. Goolsbee. Well, look, the economies that surround those venues very much rely on that. And that is one part that kind of leisure entertainment, travel, tourism, all of that space is particularly important in the U.S. economy. I saw a recent survey from this past week in Crain's Chicago Business that literally three-quarters of the independent music venues and theaters in the City of Chicago believe that they are going to have to close down permanently because of this.

Senator Klobuchar. Exactly. Alright, well thank you for your work. Thank you.

Chairman Lee. Representative Schweikert, you are up next. David Schweikert, are you there?

[No response.]

Chairman Lee. If not, it will be Representative Frankel.

Representative Frankel. I am happily listening. I wanted to thank everybody for a very interesting discussion tonight, and I yield back.

Chairman Lee. Great. Representative LaHood, you are next.

[No response.]

Chairman Lee. No response from LaHood?

Senator Cotton.

[No response.]

Chairman Lee. Senator Cotton, if you are there, let us know. If not, we will go to Representative Herrera Beutler.

Representative Herrera Beutler. Can you guys hear me?

Chairman Lee. Here we go. Here we go.

Representative Herrera Beutler. You guys have got it. Okay. Thank you. Sorry. I keep trying to change my name on this. I am not 997402996, but——

Chairman Lee. It's a pretty name.

[Laughter.]

Representative Herrera Beutler. This has been really—I am standing up in the gallery in the middle of a two-year-long vote series to get two votes done. Meanwhile, everybody is wandering around exposing themselves more to COVID, so I think one of the things we've learned from this is there are things that work and there are things that are only for show, and what I am hearing is, and what I am interested in, I want to do those things and take those steps that work to protect people. But we also need to move past the things that are just for show, because the economic damage that we are—that is being wrought on the country, like you cannot just turn it back on.

I keep hearing people say, well how soon can we start back up? Well, we are losing businesses in southwest Washington State. They are dying on the vine right now. They can't just start back up. That was someone's life savings, it's done. And so how do we limit that?

And the same is true on the health care side. I have a few different questions. Dr. Singer, I got on when you were finishing your testimony, and you were highlighting the burdensome regulations that get in the way of health care, including the drug authorizations and state licensure requirements. Certificate of need. It was just a barrier to efficient, effective telemedicine in this crisis.

Is there something—at least that is my opinion—CMS is now considering making a variety of telehealth waivers they issued under the Crisis Separation permanent. Is this something you agree with? Are there other regulatory burdens that can be removed during the rulemaking process?

Dr. Singer. Well, Representative, the CMS plan is certainly a step in the right direction. But that only deals with basically paying providers who engage in telemedicine. But that is of course—and that only affects people who are on Medicare or Medicaid. But what makes that not really very effective is the state licensing law.

So even as a provider, if I know that Medicare will pay me for providing health care to someone in my neighboring State of New Mexico, I am in Arizona, if I am not allowed to do it, it does not really make much—it does not help.

So the problem is, just like certificate of need as you mentioned earlier, most of the state licensing laws and certificate of need laws tend to be heavily influenced by the incumbents, and keep out competition.

And in fact, in the mid-1980s when Congress repealed the incentives it gave to states to establish certificate of need laws, it recognized that. And so there are still, unfortunately, about 38 states that still have them to one degree or another.

That is why I offered the proposal of Congress actually passing a law—and I think it is within Congress' purview under Article I, Section 8, the authority to regulate commerce among the states—would be to define the "locus of care" as the state in which the practitioner is licensed, as opposed to which a state in which the recipient of the care happens to be residing. And that would kind of—that would make it work.

As far as certificate of need laws are concerned, it is unfortunately a state issue and it is up to states to decide whether or not to repeal them. But I think—now I am not a Constitutional lawyer—I am not a lawyer—but my colleagues at the Cato Institute tell me that there is at least reason to look into whether or not certificate of need laws and state licensing laws might constitute a form of antitrust violation. And at least ask the Federal Trade Commission to look into that.

Representative Herrera Beutler. That is interesting. I had not thought about that. I cannot see the clock. Do I have any time left? Somebody cut me off.

Dr. Michel, in your testimony you think that there should be no additional stimulus payments to individuals, or we should phase out the—unfortunately, so many of my constituents have not received their check. I am in Washington State. I am right on the border, so people cross over into Oregon, which is another where ESB has been a bit of a mess.

And so the stimulus checks were the only thing that people actually—some of these people actually got. And they are pretty dire situations. How would you suggest that we reform the unemployment insurance system, or somehow help the states do it, so that we do not end up in this problem again?

Dr. Michel. Well, it is a fantastic question, and I think the strength of our system is that the unemployment system is handled at the state level, and is able to be tailored to the populations across the country.

So I would not want to federalize the system, or to make it a system that if the Federal Government failed to get the checks out, no one got them. I think that having—it is unfortunate that certain states have really struggled, but other states have succeeded. And so I would hope that states learn from this crisis and are able to update and modernize their systems. I think it is, frankly, ridiculous that we were not able to provide a matched benefit that allows a scaled match of someone's pre-pandemic wages. Instead, we had to do a lump sum payment.

That is a failure of state unemployment systems. And so I would point to state reforms, and states need to make sure those systems are robust. But to put a fine point on the fact that we cannot always rely on government for everything that we need, things like universal savings accounts could help people save for their own rainy day funds, to help people build their own savings rather than always waiting for the government systems that tend to not work when we need them most.

Representative Herrera Beutler. Thank you. I am sure I am out of time. Yield back.

Chairman Lee. Representative Schweikert, you are up next.

We cannot hear you, David. Are you on mute?

There we go. There we go.

Representative Schweikert. We were having some technology problems. And let me disclose, Dr. Singer has been a friend for decades and decades, and I sort of consider him my advisor on some weird technical issues.

But, Dr. Singer, and also Mr. Goolsbee, because you also touched on this when you were speaking, if I came to you and said, "We are part of the Joint Economic Committee and we want to have an understanding of the entire societal cost, just in the United States, but the societal cost of the pandemic—the cost to my soon-to-be-5-year-old daughter who may have lost several months of education, the loss to society I'm hearing of a young high school student who took her life in a heart-breaking fashion in my community, all the way down to lost wages." Is there anyone out there—and, Dr. Singer, I will ask you first—who you believe is building a model both to help us understand our entire societal cost, and therefore helping us do sort of decision theory? Here is the cost directly related. Here is the second degree, third degree, type of cascade costs, as a good economic model would produce. It is something we are going to need to know as we do the post-mortem on this pandemic.

Dr. Singer. Well, Congressman Schweikert, I am not an economist, and I am not sure anybody could really accurately answer that question because there are so many things that we do not see and are not aware of. So much is subjective.

I imagine there are some economists trying to come up with models that would at least give an inkling of it, but I am not familiar with those models.

Representative Schweikert. Alright, thank you, Jeff.

Dr. Goolsbee.

Dr. Goolsbee. I would like to say that it is a fascinating kind of intellectual exercise that motivates our policy discussion. I do not think anybody has truly tried to put the whole burrito together in that way. They have been——

Representative Schweikert. You had to talk about a burrito when I have missed lunch [laughing].

Dr. Goolsbee. I apologize. There has been a lot of work trying to isolate individual components. So if you think of my own work, and the work that I cited, that is about how you identify just what is the impact of lockdown orders. That that was about 7 percent on economic activity in those industries.

The broader impacts on education, on mental wellness, and the things that you mentioned, it is probably going to be some time before we look back and are able to recognize that.

Representative Schweikert. A couple of the economists from Joint Economics I work with were trying to think this through. If any of you, our witnesses, come across a paper, think of me. Send it to us. Because it would help us build a decision-making model for the future, for ourselves and hopefully for the world.

Dr. Goolsbee, as long as I have you, if I came to you and said, "We are not going to talk about the past. We are not going to talk about decisions made a week ago or three months ago." But as of today, if you walked into my office and said, "Here are policies I want you to adopt to maximize economic expansion"—and, Adam, I am going to ask you the same one—what would you do today that helps keep our communities, our society, as healthy as we can, but also creates as much economic velocity. Because you see our debt picture. What would you do today?

Dr. Goolsbee. Look, this is a critical area. I actually would put the focus, number one, on the public health measures, which are not normal for economists. Normally economists would propose economic policies, but I think most of the economists are proposing public health policies like getting more masks wearing, getting more mask wearing, more testing and tracing, so that rather than having everyone shut down, we could just pull out of the economy those people that are contagious.

Those would be critical. If you could wave a magic wand and have a vaccine by Monday, much—not all of the economy could go right back to doing what it was doing before the pandemic began. And so that makes this recession very different from any previous recession.

So I would put the focus on that public health stuff.

Representative Schweikert. That is sort of very Shilleresque, if we can say, attitudinal.

Adam, what would you do? If I came to you right now today and said, "I need policy that we would do today," what would you do?

Dr. Michel. I agree with Dr. Goolsbee that we have to get testing, and we have to get isolation of people that are sick right, before people feel confident in returning to their pre-crisis activities. People have to feel willing to go out and spend their money, and go to work, in order for anything else to matter. But then it is about getting all of the other things we know allow businesses and people to thrive right.

It is making sure taxes stay low. It is about fixing our debt trajectory so that taxes do not have to increase in the future. It is making sure entrepreneurs can access the capital that they need. It is sort of the whole host of pro-growth policies that will then allow, once we get testing and tracing right, to allow the economy to accelerate back to where it was.

Representative Schweikert. Alright. Mr. Chairman, thank you for your patience, and thank you for your patience with my technology.

Chairman Lee. Oh, you bet. You bet. You are one of the more tech savvy members of the House or Senate I know, so it is good to have you here.

Representative Beatty, you are next.

Representative Beatty. Okay, I think I am unmuted now. Sorry, I had some difficulties getting on, as well, here in the Capitol, but thank you. And thank you to our witnesses.

The first question I have is for you, Dr. Goolsbee. Back in March of this year you said that the number one rule of virus economics is that you have to stop the virus, of course, before we can do anything. But despite all these warnings, this Administration has refused to take, in my opinion, the virus seriously enough to combat it.

Also in January the President said that we have it under control. Then in February we had maybe about 15 cases, and he said that it would go away, or one day it maybe will magically go away.

Can you tell us, when you look at other countries like Korea, like Germany, who chose to attack the virus early on head on, can you compare the long-term economic effect of choosing to prioritize health, like these other countries did, with the United States patchwork response led to our state having more death cases?

How did that—or is that continuing to affect the economy?

Dr. Goolsbee. Yes, Representative, I think it did affect the economy, and it is continuing to affect the economy. As I mentioned when discussing it with Senator Klobuchar, if you look at the employment performance in the countries where they made a clear national strategy and prioritization to stop the spread of the disease, their job market destruction has been far less than what has happened in the United States.

In several of these countries, their unemployment rate actually went down over the course of this, rather than more than doubling like it did in the United States.

And then I would just highlight the second component, which is hundreds of thousands of people have died in this country that did not need to die had we done this prioritization. I do not understand a national strategy that is, at best, of mixed motivation. And by that, I say sometimes the Federal Government's response has been good, and then sometimes it comes with a playback, kind of a soundtrack that goes against the stated response.

So making fun of people for wearing masks, saying we should liberate the country when they are trying to restrict access to restaurants and bars and places where the spread of the disease has been documented to be high. Those are things that go against other statements that you should take the disease seriously.

And I think the numbers really speak for themselves, and in fact I think neither the economy nor the public health consequences of those decisions, I think they are pretty serious and pretty negative.

Representative Beatty. Well let me just applaud you and say thank you, because as an economist you are saying the exact same thing that our experts who are in the science area and health care, many of them who are also participating with the Administration have told us the value of this. So I cannot thank you enough for that.

To the second witness, let me ask you if you aware of this. We recently heard that the White House had scrapped the plans for the United States Postal Service to send approximately $650 mil-

lion worth of masks to Americans through the mail, and then that got scrapped. So I think that is just another instance.

But do you think that it would have made a difference, let's say, if we would have sent every citizen five masks, so they could have had them. Would that have had—what kind of health and economic impact do you think, if any, that would have made if every citizen would have been given one, as I understand the original plan was?

Dr. Jha. Congresswoman, thank you for that question. There is no doubt about it in my mind that getting more people to wear masks would have made a very big difference. If it had come from the government, if it had come from the Federal Government, there is some skepticism in some quarters. I think it would have helped that skepticism if it came from the President, or came from the White House's seal of approval. But most importantly, it would have made it easier for people to wear masks. And I think that would have made an enormous difference.

So I am sorry that that was scrapped. It would have led to fewer cases, fewer deaths, and I believe great economic rebound. The fundamental point here is, we have got to get the virus under control. And if we do that, our economy can recover and masks would have been a really helpful part of that.

Representative Beatty. I posed—I left the Financial Services Committee just an hour or so ago, and I posed that same question to Secretary Mnuchin, because he had gotten involved with the Postal Service. He said he was not aware of it being scrapped. But at least he did say he would look into it, because I do not think it is too late. You know, a month ago we were throwing out numbers like 150,000, and now we are over 200,000. So this is going to be our new normal, if we are going to save lives.

So I yield back, but thank both of you for the information, your honesty, and at least giving us hope. Thank you.

Vice Chairman Beyer. Congresswoman Beatty, thank you very much.

I would now like to recognize Senator Cassidy for his questions.

Senator Cassidy. Yes. Hang on. Got me?

Vice Chairman Beyer. Got you.

Senator Cassidy. Thank you all.

Dr. Goolsbee, I am struck because when people have asked you about reopening the economy, it is always don't ask me, ask somebody's mother, because mothers rule the world. Until they are comfortable, they are not going to go to a vacation to New Orleans and spend the night in a hotel. And so I am glad that your research actually kind of coincides with the intuition I have had my whole life. Mothers rule the world.

So it does seem like we have to get that down. Dr. Jha, there has been some discussion as to the benefits of a Federal response as opposed to a regional one, and full disclosure you and I have collaborated on something in which a regional response, collaborative if you will, between states would be the operative way of doing it.

Would you like to comment on the relative advantage of a regional response versus a Federal?

Dr. Jha. Absolutely, Senator. And thank you for that question. So a couple of things.

First of all, I think we all understand and agree that the virus spread at any given moment is regional. What New York is experiencing today is different than what California is experiencing today. The long history and the tradition of public health in America has always been one where states lead, and the Federal Government is standing next to the state helping, providing guidance, providing resources. So I have always believed that states have a fundamentally important role in this process.

The problem here of course is that we have a global pandemic. And so, for instance, things like testing, we think about PCR testing, the testing we have been mostly focused on the last six months, these have national and global supply chains. So a strong Federal help and engagement is incredibly helpful.

But I have certainly agreed on the thing we have collaborated on, Senator, that having groups of states come together is an alternative approach that can add, I think, increase the right market conditions, can set the right signals. I still think it would be very helpful to have a more engaged and more effective Federal response helping the states, but I have always believed that states have an important role. They just, in many issues, cannot do it by themselves. But a group of states coming together is an alternative——

Senator Cassidy. Let me ask you about that. One example that we have used continuously at the Broad Institute, and the Broad Institute was able to take existing resources and stand up using a kind of plug-and-play type approach. Now all those resources were available, and when Debra Burks came down to Baton Rouge, and she would speak to that: listen, Thermo Fisher supply is out there, and we can just use that instead of being in these proprietary systems.

So it did seem as if she had a point, that there was a lot of under-utilized capacity that could be employed within each state prior to a Federal Government sort of trying to "this is how you do it." Indeed, you could argue that a state would have a better sense of where you should be intervening than somebody in Washington, D.C.

And so I asked that not to challenge but to explore.

Dr. Jha. So there are two parts to that, Senator. I completely agree that states do have a good sense of where their additional capacity is.

One issue is resources. A lot of states are feeling like they cannot pay for things. If you look at the Broad, for instance, which is doing a great job, their tests are being paid for by private organizations. And so private universities, Harvard, Brown, others are paying for testing there. The public schools and the public universities are not. And so what it does is it does bring capacity in when you have private purchasers. But what we do is we create a very large divide between who is able to access that and not.

Second, it is unusual. It is not clear that every state can replicate a Broad. So I think part of the role of the Federal Government is to create a certain evenness so not just a few small states can do a fabulous job, but indeed a lot of other states that do not have that kind of capacity can also come on.

Senator Cassidy. No, I would argue that the CARES packages, which put out, you know, in my state they got $180 million for testing, attempted to do that. But with that said, clearly we still need more testing, so I will not argue with that.

Dr. Goolsbee, you may have addressed this partly in the past, but I have been very concerned about the opportunity cost. Children are extremely low risk of having complications from COVID infections, and yet they are paying an incredibly high price. Even the worldwide evidence shows they can safely go back to school. And as best we can tell, there is no documented case of a child transmitting coronavirus to their teacher or the staff, particularly for primary school, but apparently for secondary as well.

Any comments on the opportunity cost of locking down elementary schools, which does not seem to benefit the public health but cost them tremendously?

Dr. Goolsbee. Well, I do think that we need to think about those opportunity costs. And I do think that the not being able to open the schools has critical costs to the economy. I would rather see the schools open than the bars open. No offense to New Orleans. But I do think that is more important.

Senator Cassidy. Then can I ask you—because I have been particularly concerned that lower-income families, with the digital divide, and a parent that perhaps has to work, and less familiarity with computers, is at a particular risk. And I do think there is evidence, empiric evidence that the children from lower-income families, even when given access to the internet, are less likely to use it. Those at academic risk are at increased risk, or increased risk in a virtual environment.

Any thoughts on that?

Dr. Goolsbee. I do basically agree with that. For a time, I was on the Board of Education for the City of Chicago, and I know that these issues of the digital divide make that shifting education to an online sphere, there is a risk that it is going to hit low-income people harder than high-income people, the same way that it has hit low-income occupations harder than high-income occupations.

The only thing I do not know, and the doctors on our panel would have a better sense, my read of the evidence is that definitely teachers can catch the disease. So you have got to think about how the teachers——

Senator Cassidy. If I may, because I am about out of time, I think the best evidence is that they are catching it in the community, not from the school.

Dr. Goolsbee. And the kids can get sick. They have low mortality, but they—in China, for example, they did get very sick.

Senator Cassidy. I guess my point was, in closing, that the opportunity cost of a 5- and 6-year-old kid from a lower-income family is much greater than the extremely rare severe complication from COVID in a 5- or 6-year-old. I think there is a lot of evidence to that.

I am out of time, but if Dr. Jha would be—and by the way, Dr. Singer, you are a great friend so I want to give you a shout-out. Sorry I did not focus my questions on you. But I yield back just because I am out of time. Thank you.

Vice Chairman Beyer. Thank you, Senator, very much.

I will now start a second round, and I will start. Dr. Jha, four recent examples. Yesterday the CDC took down guidance it had just put up stating that the coronavirus could be spread through small particles, such as in aerosols. And in the updated guidance, there is no reference to airborne transmission.

And then last week they changed their testing guidance for people without symptoms who had contact with an infected person. And then we had the whole Caputo thing at HHS where he talked about the deep-state scientists, and scientists and sedition.

And then yesterday, Secretary Azar decided to take over all the agencies within HHS, including the FDA.

Are you at all worried about the public distrust that comes from all this changing guidance—the sense of political manipulation probably by the White House?

Dr. Jha. Congressman, thank you for that question. You know, there are two parts of the distrust that I worry about immensely. The first is among doctors and nurses. We have a long tradition of shorthanding a CDC or an FDA recommendation as another way of saying this is the gold standard.

So when we say, for instance, oh, the FDA recommends this, you do not have to explain what you mean, usually all you mean is this is where the best scientific evidence is. That has been a truism under Republican administrations, under Democratic administrations. We have never worried about the scientific credibility coming out of the CDC or the FDA.

That has changed in the last six months. And that worries me immensely, because the great scientists of the FDA and the CDC are still there. Thankfully, they have not left. They are still doing great work. And unfortunately what comes out increasingly from both of these agencies, and certainly the CDC as you laid out, Congressman, is increasingly muddled, contradictory, and against all the scientific evidence we know.

And so either these brilliant scientists have all of a sudden stopped—you know, no longer know how to do science; I doubt it. Or, something is muddling their ability to project and explain to the American people what the fundamental issues are around this virus. The issue about airborne is one of them. There have been others, around testing. It is deeply distressing, and I think it leaves American people unmoored because they no longer know where to turn, where to trust.

And it will take us a very long time to restore the trust in these agencies. We have got to stop doing that. We have got to let the scientists of these agencies speak directly to the American people. We pay their salaries through taxes. We deserve to hear from them.

Vice Chairman Beyer. On the same issue of trust, the White House Chief of Staff recently said the White House is aiming at 100 million doses of the coronavirus vaccine ready by the end of October, which is now five weeks away. Is that safe, or even realistic?

Dr. Jha. Well, so Operation Warp Speed, which has been a program run by the White House that I have been enormously supportive of, I think it in general has done a very good job of ramping up production, has done so at risk, meaning without even knowing

whether the vaccines are safe or effective, has produced these vaccines. And I think that has been the right thing to do. Because once we have clear evidence of safety and efficacy, we will not want to wait, you know—we would want to wait as little as possible. So in general I think that is a good thing: 100 million by the end of October is a much, much higher number than I have heard.

I do not believe anybody knows when we will have, or ought to know when we will have clear data on safety and effectiveness. My best projection is that it will come in sometime in November. And my best projection has been that we will have tens of millions of doses by the end of this year. So that number is really high, and out of what I have generally heard from most people in the industry.

Vice Chairman Beyer. I want to thank you for making me feel better about paying that Brown tuition, and for all the research that you are able to do.

To pick up on something Doctor—or Senator Cassidy said, there is no proven instance of children giving this disease to teachers or parents. Why, then, are the school districts being so careful in closing?

Dr. Jha. So this is complicated, and it is multi-factorial. So first of all, I think there is no doubt in my mind that younger kids are much less likely to spread this than older kids. So I think most of the evidence says that older kids, high schoolers essentially spread like adults.

The issue of why we do not have a whole lot of evidence of that kind of spread is we have not had schools open in the past. During the pandemic, schools have been closed. So of course we have not had a lot of instances of kids spreading it to parents.

Now we are opening schools, and we are about to find out. This is incredibly frustrating, because the cost of keeping schools closed and virtual is massive. It is massive on kids. It is massive on parents. It disproportionately affects poor and minority kids and families, and it disproportionately affects women in terms of the labor force.

We can all talk about gender equality, but we know the realities that women bear the brunt of this. So what we know is, if we can lower the levels of virus in the community, if we can speak with nuance to teachers, instead of sort of blustering that everybody has to open, and if we can understand the fears and address them through testing and through mask wearing and improving ventilation in schools, I believe we can get a majority of American schools open. But we have got to build trust in people. We cannot bully them back into school. It will not work, and teachers will not tolerate it, and parents will not tolerate it.

So we just have to have a level of nuance we do not have right now.

Vice Chairman Beyer. Thank you very much. To quote the Chair of the House Education and Labor Committee, Bobby Scott, who says we want schools open. We just want them opened safely.

Now let me recognize the Chairman of the Joint Economic Committee, Senator Lee.

[No response.]

If Senator Lee is still there with us?

[No response.]

And if Senator Lee is not available at the moment, I am going to move to the next Republican on the list, and the Ranking Member from the House, Congressman Schweikert from Arizona. David? We cannot hear you yet, but you are up.

Representative Schweikert. Let's see. Are we working now?

Vice Chairman Beyer. Yes.

Representative Schweikert. Could we continue on that line of thought you were just having? One of the other weird little side projects in our office has been trying to get a thought about daycare, without schools opening. Is that almost like a wall, a barrier to sort of step up economic activity? You know, I see what we have gone through with a kindergartner and home schooling until she could begin public schools this last week.

Has anyone actually, first, given that some thought, or seen some modeling data that says we cannot grow—we cannot get a certain sort of GDP economic expansion until we actually have an ability for our children to be in schools or daycare?

Dr. Goolsbee. This is Austan Goolsbee. A hundred percent that is a barrier for a lot of the workforce to come back to work. And there have been a few labor economists that have been trying to quantify that. I definitely think that you are onto a critical element.

This question of what would it take to be able to reopen the schools, and what would it take to be able to reopen daycare and other child care options, for the median, let's call it occupations at the median income and below, I think it is critical, a tremendously critical issue because such a high share of those occupations must physically be at their location of work to do the job.

So I think you are on to something, and I can try to get you some of the evidence that they have accumulated.

Representative Schweikert. That would be helpful. And this is actually one of my great frustrations, from those out in the Phoenix-Scottsdale area. We can see school districts backing up to each other, they have different opening policies.

I despise anecdotes, but I am going to tell one. Having a little girl who has started kindergarten, her first three weeks of sitting behind a laptop, isolated, she was miserable, begging "Daddy, Daddy, please don't make me do this."

This last week when she is now allowed to go to school in a classroom, mask-wearing for everyone. It is as if I have a different daughter. So I am assuming many of us have experienced that.

How do we actually sort of have a world where it is not politics, or lobbying, but it is actual math, saying "here are the things we do to keep the teachers and our schools safe," with an understanding of how important this is to the economic expansion, economic survival, of our country?

And share with me. Go ahead.

Dr. Goolsbee. Congressman, who goes first?

Representative Schweikert. Let's do Jeffrey first, and then the Professor.

Dr. Singer. Well I was just going to say, a part of the problem is to get the teachers to overcome their fear. There was some—for example, Taiwan, which you talked about, has a success story. To

my knowledge, they never closed their schools. Many schools in Europe have had their schools, at least for K through 6, the grade school, they have had them open for months and there have been no reported problems.

And then here in the United States, for example, during the worst time of the outbreak in the New York Metropolitan Area, the department of education and I think just New York City had daycare for their first responders, and there were no reported outbreaks with these children in daycare centers, which, you know, that should calm a lot of fears.

Nevertheless, what we see happening is, in many instances, the teachers themselves are saying, "I'm not comfortable going back." So part of it is having them, having their fear managed.

Representative Schweikert. Thank you, Dr. Singer.

Professor.

Dr. Jha. So I have spent more time on this topic than any other in the last three months. I've probably spoken to a hundred different teachers' groups, school superintendents, mayors, governors, on this. A couple of things.

First of all, Dr. Singer is absolutely right that many European countries, Taiwan, has been able to open up. The levels of virus in their community were such that it was much, much lower than our American average. But nobody lives in America. People live in Arizona, or Texas, or Massachusetts. So we have to look at local community spread. And I think about a third of the country could go back to school quite safely, given the level of spread.

In another third, we do need to bring it down a little. You could open up K through 6 quite easily now. But for older kids, you want to have that virus level a little bit lower.

Everybody has got to wear a mask. And in other parts of the country, the virus levels are so high that we really do need to work on bringing it down.

And again I would close bars, and I would close indoor dining before I closed schools. That is a priority and value judgment that I would make. If we did this, and if we took this with nuance as opposed to bluster of—I find myself in the mornings arguing how to open schools, and in the afternoon trying to explain to people why you can't open schools. And people are like what side are you on? I'm like, the data. We have the data. I think we can get most schools open if we let the data drive our decision making.

Representative Schweikert. Mr. Chairman, thank you for your patience. I have become quite convinced that for those folks in Maricopa County, we are seeing some very good numbers right now. There is a path to having our schools safely opened, and I think we know it. They fear this, they fear that, and if those on the left, those of us on the right, could come up with a common language to mitigate fear and move to facts, I think it would be very powerful to the economics of this country.

So with that, I yield back, Mr. Chairman.

Vice Chairman Beyer. Thank you, Congressman Schweikert, very much. I now recognize Congresswoman Joyce Beatty from Ohio.

Joyce is still with us?

[No response.]

Give her another couple of seconds here. Is Senator Lee with us, I ask again.

[No response.]

And let me move, how about—thank you for your patience. Both Houses are voting this afternoon, and so they go back and forth and back and forth. Is Congressman LaHood from Illinois with us right now?

[No response.]

And finally I am going to try another doctor, Doctor Senator Cassidy? Did you hang around for a second round?

Senator Cassidy. I sure did.

Vice Chairman Beyer. Senator, the floor is yours.

Senator Cassidy. Thank you. Let me see if I can get my video going, not that you care to see me [laughing].

But, Dr. Jha, we do need to distinguish. You say some schools should, and some schools should not, but we really need to distinguish between K through 6, for example, and high school. An 18-year-old is an adult, effectively, physiologically in terms of infectious disease. But it does seem like primary schools is much less.

And I say that because, again going back to the opportunity costs of a 5-year-old in an inner city or rural setting in which parents do not have access, or if they do, lack familiarity. It does seem as we say "schools," you speak of nuance, we should be nuanced that it is K through 6 that we feel, or K through 8, that we feel freer about.

And you just mentioned, Dr. Singer, like there have been a million kids in Quebec that have gone back to school, and I think 0.031 percent have been infected. And all the children in other countries that we have mentioned. So although the U.S. does not have the data, there is data worldwide. So going back, my point being would you agree that when we say "schools," we must speak with nuance and not just say "schools," but differentiate primary versus secondary?

Dr. Jha. Yes, Senator, absolutely. Absolutely. So let me say two things about this. You know, we in our tracking that we do on global epidemics dot org, we split the country into green, yellow, orange, and red. Everybody in green zones—there are not that many of them—should be back in school. In yellow, probably everybody can go back. Definitely K through 6. High school, we can. In orange, we have actually argued that K through 6 should go back. And that gets you a vast majority of the country.

There are some places—now we can talk about Quebec and Europe. They never opened up schools with the kind of case levels that we have had in some parts of our country. And so that would be, in my mind, not based on what the evidence or experience of other places have been.

And I am much more, based on the modeling data, I am much more hesitant in places with very large community transmission happening, but to say it is totally fine for a 5th grader.

Senator Cassidy. So this goes back to the opportunity costs, because if the 5th grader stays at home and not be evaluated by the school psychologist to look for abuse, not to get the meals, not to have the in-person instruction, and basically probably not get any instruction whatsoever for still extremely low risk of infection or

serious infection, extremely low risk, it just seems like we have a tradeoff.

Dr. Goolsbee, it was interesting, earlier he said it is rare that an economist advocates wearing a mask. But I think we need more doctors advocating open up, because of the opportunity cost of the children, particularly the younger children, staying at home.

Dr. Singer, do you want to weigh in on that?

Dr. Singer. Yeah, that is sort of what we call the unseen, you know, the costs that are not seen as opposed to what is seen. And, for example, as you know, Dr. Cassidy, there are crucial actually periods of development, psychological development, cognitive skill development, social development, and quite a lot of these very young children are missing out on. And some of this could be very difficult to make up.

And then of course there are also the social determinants in health. Some children come from households where they are subject to child abuse or neglect, where they do not get proper nutrition, and this is provided for them in the school system. So these are all other costs that are not being taken into account.

And I personally, I saw just the other day the CDC's latest estimates of infection fatality rates, not case fatality rates, and I think the estimate, if I remember correctly, was 0.0037 percent infection fatality rate for children under age 18. So you need to kind of put everything in perspective and balance what is the risk of them dying from a COVID infection versus the risk of them dying from child abuse or neglect.

Senator Cassidy. So, Dr. Goolsbee, let me, again in full disclosure, my wife is on the board of a school for children with dyslexia. And most of the children come from less well-off backgrounds. Illiteracy is of course is a major risk factor for future involvement with the criminal justice system. Illiteracy is a major risk factor for incarceration, future incarceration.

And if you look at the reading scores, children of color by grade 3 or 4, 50 percent of them are reading below grade level. So again I go back to, I think we are in agreement. I think I am just pushing this point because—Dr. Jha, I am going to disagree with you. I am going to say, on this I will disagree, and I like Dr. Goolsbee with his experience with the Chicago educational system. If you have a 5-year-old from an impoverished background, and she or he is not in school, you are going to affect their future life. Possibly, in fact indeed probably increasing their risk for future incarceration, for an extremely low risk of infection on these complications of infection.

So I keep feeling like we are being so careful about the spread of disease that we are being less careful—and I do not want to put words in your mouth, Dr. Jha, I have respect for you—less careful about the long-term consequences of a child not being in school. And I apologize because that was an unfair characterization, although I think you did say in the red zone you would still be nervous about primary school children attending.

But, Dr. Goolsbee, why do you not speak, and then I will give Dr. Jha the last word.

Dr. Goolsbee. Okay, as I said at the beginning, I am quite sympathetic with the concerns about what you are calling the oppor-

tunity costs. We do still—and we do still need to, even if the kids themselves get sick, the fatality rate is low, we need to monitor whether they are coming home and getting their grandparents infected. If they are not, then that goes into the math category of here are behaviors that we can open up and allow without increasing the rate of spread of the virus.

It sounded like what Dr. Jha was emphasizing is that in places that are in the red, and there is high community transmission, there might be an elevated risk that the kids themselves would not get sick, but they would come home and get mom and dad sick, and maybe brother and sister sick. And, that that kind of goes back to our critical thing about what is the number one rule of virus economics. You have got to slow the spread of the virus.

And in countries where they have got low rates of infection, they have gone back to school. And I do think that is critically important, especially in these unequal times.

Senator Cassidy. Dr. Jha.

[Pause.]

We cannot hear you.

Dr. Jha. Sorry. You would think I would know this by now. The last thing I would say is, two quick things.

First of all, we have not seen any place that has really tried to open up schools in that kind of red zone, but one place that did try it a few months ago was Israel and they ended up having pretty large outbreaks. I believe in data. We have got a lot of evidence to drive this thing.

The other part of this is that schools are not just run—don't just have kids. They have adults. And adults can transmit to each other, and teachers can transmit to other teachers.

I agree that we do not have a lot of evidence to show that that has happened. What I would like to see is, if we are going to try those places, be very honest with people that we do not have a lot of evidence. Get everybody to wear masks, and collect data very, very carefully.

I also think, let's get the red zones into orange and yellow zones by closing bars, by getting people to wear masks, by improving testing, and then we can stop even disagreeing about the red zones because we will all agree that getting especially younger kids, but probably everybody, back to school is clearly the right thing to do for kids, parents, and everybody else.

Senator Cassidy. Thank you, Mr. Chairman. Thank you for your indulgence. I yield back.

Vice Chairman Beyer. Thank you, Senator, very much. I now recognize my friend, the Congressman from Maryland, Mr. Trone.

Representative Trone. Thank you, Mr. Chairman. I appreciate it.

As a fellow businessman, I am concerned about the grave impact the pandemic has had and will continue to have on small business. In July, I co-sponsored a Jobs and Neighborhood Investment Act with Senator Warner on the Senate side, to invest $18 billion in low-income and minority communities that have been hit the hardest.

The bill provides funding and support to minority finance institutions to expand the flow of credit and prevent permanent damage to these communities.

Dr. Goolsbee, do you see a connection between the devastating impact COVID has had on Black, Latino, other minority communities and the accelerated losses we have seen among minority owned businesses?

And also, secondarily, how do we craft responses? How should we craft responses to respond to these policies that address the systemic inequities?

Dr. Goolsbee. Well your first question is easy to answer. A hundred percent yes, I think those are highly related. That the communities where you have seen the impact of the disease will be among the highest among communities of color, and lower-income communities. Those are very much places where the job impact has been the most negative, and where the income impact has been the most negative.

On the second question of what do we do about that, that is a harder one. In the short run, as I said, I think you have got to stop the spread of the virus, everything you can on the public health side. And I believe that you have got to provide continued relief and rescue efforts to prevent permanent liquidation and permanent damage from what is supposed to be a temporary health shock.

So I would still emphasize those two points. In the longer run, these issues of racial inequality and income inequality, there are a lot more moving pieces as you know, and so I probably should not weigh in on that in this spot.

Representative Trone. So, Dr. Goolsbee, to continue on the same line of thinking, before the pandemic people reentering society from incarceration had significant barriers to labor markets. Seventy-five percent formerly incarcerated still unemployed a year later. Impact particularly felt by justice impacted Black and Latino communities when the unemployment rate was 3.4. Before the pandemic, we had a huge untapped resource to help fill jobs.

One ACLU report notes we lose between $78 and $87 billion for our Gross National Product by excluding the formerly incarcerated from the workforce. And that is why I introduced the Workforce Justice Act, to ban the box on employment applications.

When we create hiring practice inclusive of people with criminal records, we all benefit. Now we are facing unemployment rates in double digits for Black and Latino populations. Simply put, too few jobs for too many job seekers, and we know which populations are most vulnerable to being left out.

So in this recovery, how do we ensure our unemployment policies do not continually focus the same way, but fully include Black and Latino populations, but also the justice-impacted individuals? And why is it so important to be inclusive in our employment policies? And what are those economic benefits?

Dr. Goolsbee. Well you have got a lot going on there, Congressman, and I appreciate and I applaud your efforts to try to reincorporate the formerly incarcerated into the workforce. In both the education space—I am on the board of the Lumina Foundation in Indiana that tries to increase educational attainment in the United

States, and they have identified the formerly incarcerated as an important category of people where training can be useful.

It is not my specific area of expertise. I know there are a number of economists that have looked at what policies are most effective, and incorporating them back into the labor market.

I do know that, as you highlight, in a period where we are going to have very substantially elevated unemployment rates, it is going to have a disproportionately negative effect on anybody that was on the fringes of the labor market before this crisis began.

So think of it as: if you are formerly incarcerated, as hard as it is to find a job when the unemployment rate is 3.5 percent, imagine how hard it is going to be to find a job when the unemployment rate is 8.5 percent.

So I do think that that at-risk groups and hard-hit groups in this recession, we have got to make a concerted effort to both slow the rate of spread of the virus, and make sure that the recovery is widespread; that it is not what I would characterize so far as rapid rebound among occupations where you can do your job over the computer, which tend to be higher-income occupations.

That has characterized much of the recovery so far, and I do think that we have got to be really concerned about that.

Representative Trone. Doctor, thank you very much. And as a Wharton grad, I hope you lose that Chicago Booth before——

Dr. Goolsbee. Oh, no.

Representative Trone. You are killing us. I yield back.

[Pause.]

Dr. Goolsbee. Is everyone muted, or am I muted? This is one of the—you cannot tell whether you are the one who is frozen, or everyone else is frozen.

Dr. Jha. E are all just waiting to see if Congressman Beyer or Senator Lee come back.

Ms. Volk. Hey, everyone. So Senator Lee had to step out, so that is going to be the end of the hearing. Thank you all so much for coming. Apologies for any sort of technical difficulties, but thank you all so much for coming, and have a wonderful afternoon.

Dr. Jha. Bye, everybody.

[Whereupon, at 4:25 p.m., Tuesday, September 22, 2020, the hearing was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF HON. DONALD BEYER JR., VICE CHAIR, JOINT ECONOMIC COMMITTEE

Today's hearing will be unlike almost every hearing ever held by the U.S. Congress Joint Economic Committee.

Most often, our hearings explore economic issues. Today, we will focus on public health.

When the explosion of coronavirus cases in March caused massive unemployment in April, JEC Democrats reached out to some of the most prominent economists and public health experts in the country.

Two Nobel-prize laureates, two winners of the John Bates Clark medal, five former Chairs of the President's Council of Economic Advisers and three former Presidents of the National Economic Association—over two dozen in all.

Every one of them conveyed the same urgent message—the top priority for healing our crippled economy is to contain the coronavirus.

Economist Austan Goolsbee, here with us today, has put it this way: "the number one rule of virus economics is that you have to stop the virus before you can do anything about economics."

CASES AND DEATHS

And yet, tragically, we have failed to control the coronavirus.

Two hundred thousand Americans are dead—more than in World War I, the Korean War and Vietnam combined.

The United States has only 4% of the world's population but approximately 21% of worldwide deaths.

There have been almost 7 million confirmed cases of COVID-19 in the United States—this likely is a severe undercount.

And the number of cases continues to explode, with about 40,000 new positive tests a day.

THE ECONOMY HAS BEEN HIT HARD

As a result of this crisis, our economy has suffered a severe blow.

There are nearly 12 million fewer jobs today than in February.

The official unemployment rate is 8.4%—almost two and a half times what it was in February.

Federal Reserve Chairman Jerome Powell says that the actual rate could be 3% higher due to problems with misclassifying workers and differentiating those who have left the labor force from the unemployed.

3.4 million U.S. workers are now permanently unemployed—and the number is rising.

Almost 30 million depend on an unemployment check to survive.

THE PRESIDENT IS THE PROBLEM

Two hundred thousand deaths, economic devastation, a contagion still out of control.

Tragically, no one person in our country is more responsible than the person who should be leading the fight to contain the coronavirus.

The President of the United States.

THE PRESIDENT'S LIES CAUSE PREVENTABLE DEATHS

President Trump's record on the coronavirus is a stunning mix of incompetence, ignorance and callous disregard for human life.

He lied to Americans, telling them that the virus was a "Democratic hoax" and that it would "magically disappear."

At the same time, he privately admitted to Bob Woodward that the coronavirus was five times as deadly as serious strains of the flu—"deadly stuff."

THE PRESIDENT REFUSED TO TAKE ACTION QUICKLY

The President should have used the early weeks of the crisis to test for and trace the virus, purchase PPE and ventilators, and to educate the public about the steps all Americans should take to protect themselves and others.

However, it took more than seven weeks after the first confirmed case in the United States for him to declare a national emergency.

If America had moved a week or two sooner to implement social distancing measures, it would have saved tens of thousands of lives, according to research from Columbia University.

TRUMP IGNORES PUBLIC HEALTH EXPERTS

The President ignored the advice of public health experts. He said that he knew more about public health than they did.

He mocked people who wore masks and he refused to wear one, despite the fact that masks can play an important role in slowing the spread of the virus.

He endangered people's lives by promoting the use of hydroxychloroquine, which has been shown by scientists to have no impact on treating COVID and carries substantial risks.

He recommended injecting disinfectant to fight the virus—and sadly, some Americans did.

He claimed that children are "almost immune."

In every case, the President was wrong—dead wrong.

TRUMP PUSHED AGGRESSIVELY FOR PREMATURE REOPENING

Public health officials argued that reopening prematurely would lead to a second wave of infections and deaths.

But the President ignored them. He said in March that "we cannot let the cure be worse than the problem itself."

He goaded governors to reopen the economy.

He told Americans that public health measures were tyranny: he said to "liberate Michigan" while supporters demonstrated (with guns) at state capitals.

And he held large political rallies, defying experts, who warned that these could become super-spreading events.

As a result of these reckless and callous actions, coronavirus cases spiked and people died.

The number of new infections on Labor Day were double what they were on Memorial Day. Forty thousand new cases per day.

THE PRESIDENT'S GAMBLE

The President's insistence on prematurely reopening the economy had a self-serving purpose—to make the economy look stronger in the months leading to Election Day.

As Washington Post columnist Catherine Rampell pointed out back in April, it was a big gamble—a gamble with American lives. A gamble with the U.S. economy.

The gamble already has resulted in more cases and more deaths, but in the short term it made the economy look better.

Between May and August, the economy regained about half of the jobs lost.

The unemployment rate dropped from almost 15% to 8.4%—still about 2.5 times higher than in February.

The President is betting that the next jobs numbers, when they are released next Friday, will continue to show marginal improvement—

. . . And that the cost of reopening too soon won't be obvious until after the election.

While we don't know what the numbers will reveal, one thing is certain: the true impact of the President's gamble won't be evident until it's too late.

TRUMP'S ECONOMIC LEGACY

Donald Trump holds the vast power of the U.S. Presidency—but he has refused to use it.

He has not contained the coronavirus, but has unleashed it.

As a result, many more lives will be lost.

And in the long term, the economy will suffer.

The President's failure to make even the most meager effort to contain the coronavirus is his economic legacy.

I look forward to the testimony of our witnesses.

PREPARED STATEMENT OF HON. MIKE LEE, CHAIRMAN, JOINT ECONOMIC COMMITTEE

Thank you, Vice Chair Beyer, for chairing today's hearing on this important topic.

The novel coronavirus, as it has swept across the Nation and the world this year, has left a trail of devastation in its wake. It has imposed not only serious physical disease, but severe economic ills, as well. Jobs have been lost, businesses have been shuttered, and whole sectors of industry have been disrupted.

In response to such an unprecedented crisis, we have taken unprecedented government action. But, as in the successful treatment of any illness, we must first make sure that we are using the proper remedies.

So as we take stock of our response to the current pandemic, we should consider how policy has both hurt and helped so far, and what we can improve to have the right solutions going forward—for this public health crisis and the next.

While some have called for a still more aggressive Federal response through more stimulus, a nationally coordinated response led by the Administration, and more widespread lockdowns, the benefits of such policies must be weighed against both their economic costs and their unintended consequences.

For instance, we know that large-scale stimulus exacerbates our already whopping national debt and can crowd out private investment. Additionally, the enhanced unemployment benefits included in the CARES Act provided a disincentive for those who are unemployed to return to work, thus inhibiting economic recovery.

In addition to economic devastation, lockdowns have had other negative effects. Mandated isolation has spurred or worsened mental health issues for many people, and stopped others from getting routine health screenings and vaccinations, causing death or illness that otherwise might have been prevented.

In fact, as the second wave of the coronavirus has been rebounding across Europe, the continent's governments are now intent on avoiding large-scale lockdowns and instead focusing on tailored, localized measures to combat outbreaks, based on the knowledge we have today on how to best manage infections.

Finally, we ought to make sure that the Federal policy is not inhibiting sound and effective solutions. Unfortunately, evidence shows that it already has—especially in the early days of the crisis. For instance, outdated "Certificate of Need" rules prevented hospitals from acquiring new beds and equipment; and the FDA and CDC laws against at-home testing posed an early barrier to disease control. But perhaps the worst failure of all was that the sheer bureaucratic chaos that fatefully delayed effective testing for an entire month.

Thankfully, we have already removed some regulations that were impeding a more effective pandemic response. Two important changes have been allowing doctors to practice medicine across state lines, as well as allowing doctors to provide telemedicine. This is exactly the kind of regulatory flexibility we should consider going forward so that we can quickly, creatively, and freely administer care to those who need it.

As we continue to respond to the coronavirus, we must acknowledge the ways that sweeping, centralized, "one-size-fits-all" government policies can ultimately worsen our attempts at recovery.

If we are to have flexibility and resiliency—in the face of this crisis and the next—we ought to instead empower our states and localities, who best understand their own resources, needs, and communities.

The American people have always played a critical role in governing locally, volunteering, and innovating to respond in times of crisis. I look forward to hearing our panelist's contributions today as to how we can continue doing just that.

Written Testimony of Ashish K. Jha

Dean, Brown University School of Public Health

Testimony to the Joint Economic Committee

September 22, 2020

"The Economic Impact of America's Failure to Contain the Coronavirus"

What went wrong with the COVID-19 response in the U.S.? How did it compare to other countries? What are the economic costs of this failure?

Introduction

Our nation has suffered immensely from the coronavirus pandemic, losing over 200,000 of our fellow citizens. More Americans have been infected with and have died from this virus than citizens of any other nation in the world. With tens of millions of Americans losing their jobs and millions of small businesses shutting their doors, many of them permanently, the economic costs of this pandemic have been massive as well.[1,2]

Why has the U.S. response been so poor? Largely, we have failed to implement decisive, evidence-driven policies, which has resulted in poor virus control and led to large outbreaks across our country. This failure, on top of the underlying, long-standing lack of investment in our public health infrastructure, has resulted in America now representing 1 in 4 deaths worldwide from this pandemic. Probing deeper, there are three key points that I believe are critical as we consider the human and economic costs of our response to the pandemic.

First, most developed nations and many developing nations have done a far better job controlling the spread of SARS-CoV2 than we have. Second, there is no trade-off between controlling the spread of this virus and economic health. Indeed, much of the evidence suggests that nations who did a better job controlling the virus have had smaller hits to their economies and are currently suffering less than those countries who have done a poorer job. Finally, if our goal is to preserve lives and livelihoods, Congress can enable a path forward that will allow us to keep people safe, open our economies, and get people back to work.

Shortcomings of the U.S. Response

Relative to other nations, the U.S. COVID-19 response has fallen short. Responses to a disease outbreak can be divided into two main categories: public health efforts that control virus spread and biomedical responses that mitigate the harms of infection. We have done a relatively poor job on the former and a relatively good job on the latter.

Key parts of an effective public health response include social distancing, wearing masks, and establishing a robust testing and tracing infrastructure. Social distancing prevents the spread of the virus by ensuring that infected people do not get close to non-infected people. Lockdowns are the most extreme and harmful form of social distancing and should be used rarely and with full acknowledgment of the costs they incur. Over the past 6 months, we have come to learn much more about the spread of the virus and now know that the virus spreads most efficiently when large numbers of people gather indoors for extended periods of time. Even without a full lockdown, limiting large indoor gatherings provides considerable value in limiting viral transmission.

Another way to slow spread is by universal mask-wearing. As the CDC and others have acknowledged, asymptomatic individuals are major spreaders of this disease and can do so through laughing, talking, or even just breathing. Masks dramatically reduce droplet and aerosolized transmission. When everyone in a setting is wearing a mask, the spread of the virus, even in close contact, is very low.

Finally, a key approach to separating infected people from non-infected people is through testing, tracing, and supportive isolation. The notion here is simple – when we have extensive testing deployed in key areas, we are able to identify who is infected and who is not. By identifying

those who are infected, we can isolate them and prevent them from infecting others. By tracing their contacts, we can identify others who might have been infected and prevent them from infecting others as well. This is a longstanding public health strategy that has worked in a variety of disease outbreaks and can be, when deployed properly, quite effective.

Though it is clear that these three factors are critical to a successful public health response, the U.S. has failed to execute in each of these areas. First, a lack of federal leadership and guidance led to a national shutdown that was uncoordinated, fragmented, and incomplete. Some state leaders opened slowly and carefully, allowing science and data to drive their decisions. This ultimately allowed them to gradually revive their economies while keeping infections at bay. Others moved hastily and carelessly, rushing to reopen businesses as local case counts continued to climb. These rushed actions eventually led to outbreaks and further economic devastation.

Second, our federal leadership provided unclear guidance on mask-wearing in the early days of the pandemic and has continually failed to implement universal masking policies. It was not until April 3, 2020, that the CDC began to urge the general public to wear masks, after weeks of stating that masks were not an effective way to protect oneself from the virus.[3,4] While the association between mask mandates and a decline in daily COVID-19 growth has been well established, currently, only 34 states and the District of Columbia require face coverings in public.[5,6] Uncoordinated policies and a lack of clear guidance have left us with a patchwork of protection when it comes to masking which hindered and continues to impede our national response.

And finally, at the core of the U.S. COVID-19 response failure is our continued inability to test, trace, and isolate infected individuals. Our testing infrastructure has been inadequate from the beginning, starting with the CDC's decision to create and distribute its own COVID-19 diagnostic testing instead of using the widely available test approved by the WHO. The CDC's test was soon found to produce inconclusive results, and by mid-February, amidst vigorous undetected viral spread, the U.S. was only testing about 100 samples per day.[7,8] Right now, the U.S. is testing more individuals than ever; this past Saturday, just over 1 million samples were processed in a single day.[9] While this certainly reflects a trend in the right direction, it should not have taken nine months to get to this point, and the U.S. continues to fall behind necessary targets for disease suppression.[10] It is important to note, too, that the distribution of tests in the U.S. is far from equal: some labs across the country are overwhelmed with tests, providing results many days after the test is taken, reducing the value of the test, while others sit idle with excess capacity.[14] In addition, our country has failed to fund and implement a national contact tracing program, which has consequently forced each state to develop its own strategy. This has left many states without an adequate contact tracing workforce and unequipped to trace and isolate contacts of infected individuals.[11]

While the U.S. public health response has been relatively poor, we have demonstrated notable success in our biomedical response. We have rapidly developed new technologies and innovations, allowing us to lessen the harms of infection and reduce mortality rates. According to data from the CDC, the death rate for pneumonia, influenza, or COVID-19 has fallen from 23.6% back in April to 6.2% this past week.[12] This is at least in part attributable to improved treatments and therapies, such as Remdesivir, an antiviral medication approved by an Emergency Use

Authorization in May that has demonstrated reduced mortality and improved clinical recovery compared with the standard-of-care. Not only has the U.S. rapidly created novel therapies and treatments for COVID-19, but it has also worked toward the rapid development of a COVID-19 vaccine, leveraging our best academic institutions alongside the private sector. We have devoted substantial financial capital to vaccine development through Operation Warp Speed, investing over $10 billion in eight different vaccine candidates.[13] While our country has demonstrated considerable biomedical advances and innovation in recent months, these developments are rendered useless when they are not paired with an effective public health response. In order for our country to successfully combat this virus, we must simultaneously invest in both our biomedical and our public health responses.

All of these issues can be attributed to the lack of effective guidance and leadership from the federal government. The lack of a national testing or contact tracing plan, the inadequate response from the FDA, and the stifling of the C.D.C. and its valuable data have all contributed to the poor U.S. response to the pandemic and unnecessarily cost thousands of American lives.

The lack of federal leadership in the control and suppression of COVID-19 has also had large, negative effects on our economy. Early and sustained failures to test, trace, and isolate cases of COVID-19 have necessitated the use of harsher, more impactful measures to control the spread of the virus: school and business closures, stay-at-home orders, and physical distancing. These actions, many of which would have likely been avoided or significantly reduced by earlier decisive federal intervention, have precipitated the worst economic crisis since the Great Depression. To make matters worse, many strategies aimed at restoring the U.S. economy have not been driven by data, resulting in avoidable and unnecessary spikes in cases and deaths.

Nine months since the first confirmed case of COVID-19 in the United States, our testing and contact tracing infrastructure remain weak, our economy is still suffering, and we continue to lead the world in cases and deaths. It is time for a different strategy.

Effective Strategies Around the Globe

As the pandemic has played out around the world, the extent of devastation and impact of the virus in each country has been largely determined by local leadership decisions. In mid-March, for example, the U.S. and South Korea had the same number of COVID-19 fatalities. Only a few weeks later, the course of the pandemic in these countries diverged substantially, with South Korea experiencing a total of 85 fatalities compared to the U.S.'s 62,000.[16] The difference between the two countries lies in what actions the leaders took in those few weeks.

While the U.S. response has proven disastrous, other countries have conceived relatively successful strategies for containment and control of the virus. For example, Germany, South Korea, and Japan have each employed effective responses to the virus and avoided unnecessary suffering and death. These countries implemented many of the beneficial strategies that our country neglected: rapid scaling of testing and contact tracing programs, clear messaging and educational campaigns, and swift, decisive actions to limit disease transmission.

In Germany, rapid and early development of diagnostic tests, diversification of testing resources, and increased testing proportional to easing of restrictions has yielded a relatively low death rate compared to its OECD neighbors (11.32 deaths per 100,000 compared to 65.27 in Spain, 62.94 in the U.K., 60.90 in the U.S., and 46.66 in France).[1] Additionally, many attribute the clear communication and decisive leadership of science-trained Chancellor Angela Merkel as a main driver of the country's relative success in controlling the pandemic.[17,18]

In South Korea, early, frequent, widely-available testing and isolation—coupled with a rigorous contact tracing infrastructure—led to rapid suppression. In addition, South Korea did not limit testing to symptomatic patients, and isolated specific hospitals to care only for COVID-19 patients. In early March, South Korea was testing more than 10,000 people per day, while the U.S. had only tested about 2,000 people in total. Today, South Korea has just under 23,000 total infections with only 383 fatalities.[18]

In Japan, an analog contact tracing system began in January, immediately after confirmation of the first infections. Utilizing this cluster-based approach early in the pandemic, Japan was able to conserve testing resources by pinpointing areas of infection and testing widely within those specific communities. Individuals that tested positive were then sent to hospitals designated for COVID-19 care, so as to reduce community spread within the healthcare system. In contrast to the U.S. response, Japan ensured clear communication and community education were central to their suppression efforts: the government utilized the straightforward messaging of the "Three C's – closed spaces, crowded places, and close-contact settings" to ensure that citizens understood how to best abide by social distancing protocols. With about 40% of the population size of the U.S., Japan today has just under 80,000 total cases and 1,508 fatalities.[18-20]

The Economic Costs of an Ineffective Response

Since the beginning of the pandemic, I have pushed back against the false dichotomy between saving lives and saving the economy. I believe, and the data bear this out, that a third path – where we prioritize public health and economic well-being simultaneously is the best approach. Here, we can keep Americans healthy while also allowing businesses and workplaces to largely remain open. While many have argued that we must choose between protecting our health and protecting our livelihoods, the data show quite the opposite.

Countries with some of the largest economic declines in Q2 of 2020 are also the ones with the highest COVID-19 death rates (**Figure 1**). Peru, for example, one of the countries that has been hit the hardest by the pandemic with a death rate of 868 per million, has experienced one of the most severe economic downturns: about 30% contraction. This pattern holds true regardless of population or GDP. The United Kingdom, for instance, has one of the highest death rates in the world (615 deaths per million), and has similarly experienced 21.7% GDP contraction compared to Q2 2019. In the U.S., we have experienced 552 deaths per million and an economic decline of 9.5% of GDP growth compared to 2019. In contrast, South Korea, aided by a data-driven rapid response to COVID-19, has experienced 6.3 deaths per million and a decline of only 3% of GDP growth.[21] Japan and Germany, with GDP contractions of 10% and 11.7%, and 10 and 110 deaths per million, respectively, also follow this trend, albeit to different degrees.

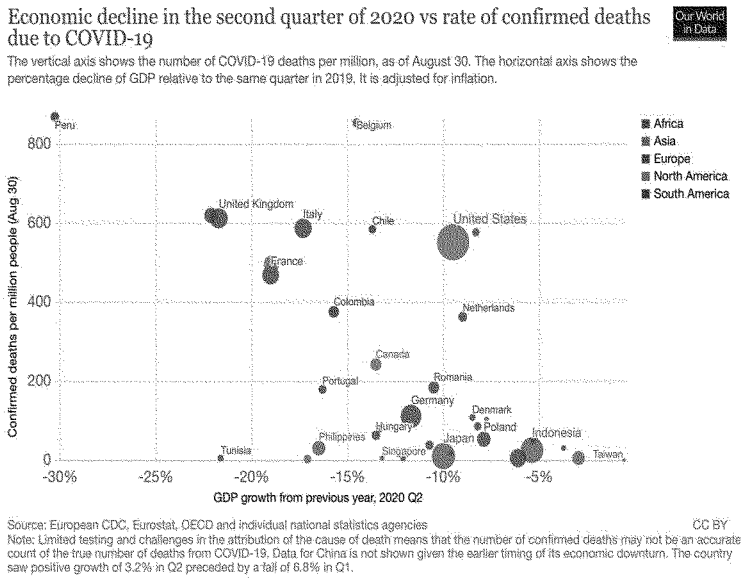

***Figure 1**: Economic decline in second quarter of 2020 vs rate of confirmed deaths due to COVID-19*

Similar trends are clear when we consider unemployment rates this year in the U.S. compared with those in other countries. The increase in unemployment rates in the U.S. from January to April was 11 times larger than the average in other wealthy OECD nations. From January to July, U.S. unemployment claim increases remained five times larger than the average of other countries. In both unemployment rates and total per capita COVID-19 cases, the U.S. has performed significantly worse than any other wealthy OECD country.[22]

The data reveal that there is no health-economy trade-off from COVID-19: countries with the least-effective public health responses to the pandemic are those whose economies suffer the most (**Figure 1**). However, it must be noted that a public health crisis of this scale does not spare any economy in its entirety, regardless of response efficacy.

Early this month, Australia fell into recession for the first time since 1991. Despite a moderately strong initial response to the pandemic bolstered by the formation of a National Cabinet and strict lockdowns, the economy shrank 7% during Q2, the worst performance since the government began keeping records in 1959. Though recent outbreaks have necessitated strict lockdowns in certain areas, Australia has fared quite well in context: just under 27,000 total cases and 849 deaths in a country of 25 million. Economists and experts agree, though, that despite the current economy (which is among the lowest contractions in the OECD wealthy nations), Australia

is well poised to bounce back from this recession, thanks in part to its continued efforts in suppressing the virus.[23,24]

Likewise, New Zealand, whose strong and early suppression strategies have set the international gold standard for pandemic response, is also experiencing economic contraction. In Q2, New Zealand's GDP shrank by 12.2%, its first recession since 2009 and worst since 1987. Strict national lockdown measures, widespread testing and contact tracing, and decisive, evidence-based action by government leaders allowed New Zealand, a country of just under 5 million, to essentially declare the pandemic over on June 8 of this year, only 103 days, 1,815 cases, and 25 deaths after its first identified case. While seven weeks of a national stay-at-home order certainly had negative short-term impacts on the economy, government officials and outside economists agree that the country's success in virus suppression will lead to a fast, strong, and possibly record-breaking economic recovery.[25,26]

Conclusion

At this most precarious and uncertain time in our nation's and our world's history, we owe it to our fellow citizens to act expeditiously and steadfastly in our quest to end the COVID-19 pandemic. Nine months since our first confirmed case, we continue to feel the painful effects of a disjointed and, at times, absent, federal response to the pandemic in this country. Tens of millions of Americans remain out of work, millions are sick, and hundreds of thousands are dead. We have no national testing strategy, receive muddled guidance from our federal health agencies, and our economy is in its worst state since the Great Depression of 1929. Let me be clear: this does not have to continue.

We know from data and from the experiences of other countries that successful COVID-19 suppression and long-term economic prosperity are not mutually exclusive. As other countries have shown us, we do not have to choose between the value of a human life and the value of an economy. There is another way, whereupon we can prioritize both the well-being of American citizens and the well-being of the American economy. To do so, we must critically re-evaluate our own practices and re-energize organizations and individuals across the country. We must adapt to the new economic landscape of COVID-19, re-evaluating our personal, professional, and governmental roles in society. Above all else, we must prioritize the lives and livelihood of our fellow Americans.

If we wish to save our economy and our citizens, we must act now.

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The Economic Impact of America's Failure to Contain the Coronavirus

Hearing by the U.S. Congress Joint Economic Committee

September 22, 2020

Austan D. Goolsbee, Robert P. Gwinn Professor of Economics, University of Chicago, Booth School of Business

Thank you Vice Chair Beyer and Chair Lee for having me in to testify today. You are meeting on a critically important topic and one that could not be more important for the economy.

I wanted to highlight some findings from recent economic research, my own and the work of others, that could have bearing on your deliberations. They relate to the unprecedented recession associated with the arrival of COVID in the United States.

I warned at the beginning of March in my *Economic View* column in *The New York Times* that the structure of our economy meant we would be particularly vulnerable to an outbreak of COVID.[1] Because so much of our economy is centered on service sector industries and exactly the kinds of activities that people withdraw from when there is an infectious disease, I warned that the economic impact could actually be even worse here than in China where the disease had been economically quite severe. Sadly, my warning came to pass.

The overwhelming evidence from across the U.S. and across countries in the world supports what I call the #1 rule of virus economics: the best thing you can do for the economy is to control the rate of spread of the virus.

It's important for everyone to understand that decisions about the economy are not made by mayors and governors and presidents. People make decisions about whether they feel safe and that is what drives the economy. The virus is the boss.

In my research with Chad Syverson, we got data on consumer visits to 2.5 million businesses across the country in 110 different industries.[2] We wanted to know how important lockdowns were for the unprecedented collapse in consumer activity during the outbreak of the pandemic. The problem is, when the disease is spreading, people stay home, the economy craters and the local authorities impose lockdowns. This can make it look like lockdown decisions are driving things but it's misleading because the policy itself is not the driver. The virus is.

To get around this problem, we compared places in the same week in the same metro area where one side of a border had a lockdown policy and the other side did not--places like the Quad Cities where Moline and Rock Island, Illinois faced lockdown orders while across the river, Bettendorf and Davenport, Iowa didn't. And if you look in the hundreds of places like that, you see that activity collapsed on both sides of the border by almost identical amounts. It wasn't about lockdowns. It was about fear of the

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[1] "Why the Coronavirus Could Threaten the U.S. Economy Even More Than China's," *New York Times*, March 7, 2020.

[2] "Fear, Lockdown, and Diversion: Comparing the Drivers of Pandemic Economic Decline 2020," NBER Working Paper 27432, conditionally accepted *Journal of Public Economics*.

virus. If you don't control for the fear, you would conclude that lockdowns cut activity by 70%. If you isolate just the part that came from the lockdown, it's closer to 7%.

It's why in the data you see that when places repeal their lockdown orders, activity doesn't shoot back up. It basically comes back only about 7%--just like we estimate it went down.

The critically important thing is to actually control the spread of the virus. As long as people fear that they will bump into contagious people who do not know they have the disease, economic activity is going to be depressed. Testing, tracing, masks, medical equipment—anything you can do to reduce the rate of spread of the infection—are the keys to improving the economy.

If you compare the US experience to other advanced countries, it is quite clear that places that focused on slowing the disease have both had fewer deaths *and* their economies have suffered less. The US response has been plagued with conflicting goals and direction from the beginning. For every move that has helped fight COVID, there have been multiple moves that have undermined public trust in the system or even encouraged people to take actions that increased the spread of the virus.

It doesn't have to be this way. It's not too late to get control of the virus. Even without a vaccine, if you can slow the rate of spread of the virus enough, the disease becomes a dying fire. When the rate goes up enough, it is a nuclear explosion.

Our relief payments and rescue packages are important to deal with the potentially permanent scars from this temporary shock. But nothing is more important than slowing the virus.

Testimony

of

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Senior Fellow
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before the

Joint Economic Committee

September 22, 2020

Re: "The Economic Impact of America's Failure to Contain the Coronavirus"

Mr. Chairman, Mr. Vice-Chairman, members of the committee, thank you for inviting me to testify.

My name is Jeffrey A. Singer. I have been practicing general surgery in Phoenix, Arizona for more than 35 years, and I am a Senior Fellow at the Cato Institute where I work in the Department of Health Policy Studies. America's encounter with the COVID-19 pandemic has exposed many flaws in the health care regulatory infrastructure, both on the federal level and the state and local level, that impeded a quick and nimble response to the public health emergency. I have been asked to provide my perspective, as a health care practitioner and policy analyst, to assist this committee in its reassessment of existing policies, with the goal of improving readiness as well as access to health care before, during, and after the next public health emergency.

The Food and Drug Administration's test approval process resulted in an avoidable and costly delay in getting test kits out to the general public, delaying an effective response to the COVID-19 pandemic by more than a month.[1] By contrast, South Korea, having learned from it experience with the Middle Eastern Respiratory Syndrome (MERS) outbreak in 2015, enacted a reform giving almost immediate approval to testing systems developed in the private sector during an emergency.[2]

Eventually, the FDA permitted states to independently approve tests for use within their own borders even if the tests had not yet received FDA approval.[3] This temporary emergency action allowed several states that were hard-hit by the pandemic to rapidly ramp up testing. In some instances, states imported tests in use and of proven quality from other countries. When the public health crisis recedes, FDA testing policy should not return to the status quo ante. The devolution of authority to the states should remain in effect whether or not a public health emergency exists.

In 2018 Congress passed the "Right to Try" Act in support of the right of the people to try medications that may save their lives, even if they weren't approved by a federal agency. A bipartisan Congress and President understood that people must not be prevented by the government from making an informed decision to try a drug to save their lives.

As coronavirus cases began to spring up outside of China, including a small number in the U.S., the FDA should have sought to ameliorate the shortage of test kits by granting authorization for the use of tests already being used in similar countries. Just as people have the right to try medications in order to save their lives, they also have the right to try tests aimed at saving their lives.

Congress should pass legislation giving reciprocal approval to drugs and medical devices (which includes tests) in similar countries.[4] Reciprocal approval already exists among the European Union states plus Iceland, Liechtenstein, and Norway.[5] In July 2019 Senator Ted Cruz (R-TX) introduced S.2161, the Reciprocity Ensures Streamlined Use of Lifesaving Treatment (RESULT) Act, which would allow for the marketing of drugs approved in certain countries, but not yet approved by the FDA, if "there is an unmet need."[6] While this is indeed a step in the right direction, in the interest of promoting competition and consumer choice, reciprocal approval should not be contingent on an unmet need.

Along those same lines, and in keeping with the FDA emergency authorization permitting states to decide the COVID-19 tests marketed within their borders, Senators Ted Cruz (R-TX), Kelly Loeffler (R-GA), and Mike Braun (R-IN) introduced S.3769, the "Right to Test Act," which would grant such authority to states whenever the Secretary of Health and Human Services declares a public health emergency.[7] However, Congress should consider granting states the authority to approve drugs and other devices that may be marketed within their borders, independent of FDA approval, even when there is not a public health emergency.

The pandemic acutely demonstrated how state licensing laws impede the free flow of health care practitioners to where patients need them. In several of the states hardest hit by the pandemic, governors suspended state licensing laws allowing practitioners licensed in any state to come to the aid of other states' residents. These emergency actions tacitly recognize a pressing problem: state clinician licensing laws block access to care. When the crisis recedes, the state-based licensing regime should not return to the *status quo ante*.

Some states have already enacted laws recognizing the out-of-state occupational and professional licenses of those who establish permanent locations within their jurisdictions. In early 2019 Arizona became the first state to do so, and several other states have since followed suit. The remaining states and the District of Columbia should do the same.

Such reform would make it much easier for health care practitioners to provide services to patients in various parts of the country. However, the requirement that health care practitioners establish permanent locations within respective states renders the reform less effective. For greater impact, state lawmakers in all 50 states and the District of Columbia should remove this requirement. States would still retain the power, under our federal system, to license and regulate occupations and professions within their borders.

Health Care Practice Across State Lines

The social distancing measures required to address the COVID-19 pandemic led to a newfound appreciation for the use of telemedicine, a technological advance that has been available for several decades. State licensing laws for health care practitioners have impeded the widespread use of telemedicine. Most states require that health care practitioners provide telemedicine only to patients in the state in which those providers are licensed, a barrier to the free flow of health care services across state lines.

Furthermore, patients can travel to another state to receive medical treatment and even surgery from a doctor licensed in that state, but those doctors cannot travel to the patients' states to provide the same services unless they are licensed in those states.

While many states suspended the barriers to movement of health care practitioners or the delivery of telemedicine across state lines, when this emergency passes, the barriers will return. To the extent consistent with its authority to tear down barriers to interstate commerce under Article 1, Section 8 of the Constitution, Congress should define the "locus of care" as the state in which the practitioner is located as opposed to the state in which the consumer of the service resides. While states have constitutional authority to regulate the practice of medicine for residents within their borders, crossing state lines to provide telemedicine or short-term in-person care can reasonably be classified as interstate commerce.[8] This change would increase access to

care and allow patients to utilize expertise that may exist in areas of the country otherwise beyond their reach. It would also remove the protection from out-of-state competitors that health care providers otherwise enjoy. The increased competition would redound to the benefit of patients.

S.3993, introduced in the U.S. Senate on June 17 would define the locus of care as the state in which the practitioner is licensed, but would only apply during the course of the current COVID-19 pandemic and would be limited to telemedicine.[9] However, Congress should pass legislation making this definition permanent and not just limited to the duration of the pandemic. Congress should also apply this definition of the locus of care to practitioners licensed in one state who provide short-term in-person care in a state where they do not have a permanent location. Examples of providers to whom such an act would apply include those who usually work through agencies to provide care during short, temporary stints in medically underserved areas, those located very close to the border of a neighboring state, and out-of-state experts in rare and specialized medical conditions brought in to consult and help manage a fragile patient unstable for transfer. These examples are analogous to telemedicine practice.

Possessing an out-of-state license would not automatically enable a health care provider to practice at any health care facility within a new state. Health care facilities perform their own due diligence in vetting and credentialing health care staff applicants. The same vetting process could just as easily be performed on an applicant for staff privileges who is licensed in another state. That happens now when a provider relocates from another state after obtaining a license in the new state.

Defining the locus of practice as the state in which a health care practitioner is licensed would make it easier for *locum tenens* ("fill in") providers and out-of-state specialists to provide itinerant temporary health services to remote and underserved communities, free from the burden of licensing applications and fees in the several states where these communities reside. In the event that a practitioner establishes an office within a state, the practitioner would then become subject to applicable state-based practitioner licensing laws.

Adding Experienced International Medical Graduates to the Provider Pool

State licensing boards require experienced international medical graduates who are licensed in other countries to repeat their entire post-graduate training in an accredited U.S. institution before receiving a state medical license. Many experienced foreign-trained doctors take ancillary medical field positions, such as nurse, lab technician, and radiology technician, instead of starting over. Some even work as waiters or taxi drivers.

In Canada, the provinces have control over medical licensing. Several provinces grant licenses to experienced immigrant physicians who have completed postgraduate training in any of 29 approved foreign jurisdictions.[10] Instead of having to repeat that training, they are required to pass a "practice readiness assessment," a relatively short process (usually a few months) involving supervision by a licensed practitioner who must clear them as competent. In Nova Scotia, for example, family medicine practitioners from other countries may practice under the supervision of a licensed physician and, after a designated period, may then independently practice in underserved areas.[11] A similar program exists for specialists who receive their postgraduate training in countries other than the 29 approved jurisdictions. Australia, New

Zealand, and most member countries of the European Union have similar provisions for admitting experienced foreign health care practitioners into their provider pools.

States should grant reciprocity to health care practitioners licensed in certain other countries with reputations for quality medical education and develop programs to facilitate integrating practitioners from less advanced countries into the pool of health care providers. Private certification organizations could be enlisted to assist in establishing criteria.

Certificate of Need Laws

More than three decades since repeal of the 1974 federal law that incentivized states to establish "Certificate of Need" (CON) requirements before new health care facilities can develop, or existing ones can add beds or equipment, CON requirements still exist to varying degrees in 38 states. These CON commissions are heavily influenced by incumbent health care providers. Attempts to reform or repeal them are often met by fierce resistance from the incumbents who try to make the case that they only have the interests of the general public in mind. CON laws render state health care systems sclerotic and unable to rapidly adjust their infrastructure to meet the changing demands of public health emergencies. Many governors suspended CON laws during the public health emergency. The CON laws in those states and in the states where they were not suspended should be formally repealed by state legislators.[12]

The Joint Economic Committee and the relevant committees in the U.S Senate and House of Representatives should investigate whether state Certificate of Need Laws, as well as state licensing laws, constitute antitrust violations. Individual members of Congress or Congress as a whole should direct the Federal Trade Commission to use its existing authority to enhance scrutiny of these state laws.

Trade-offs

Finally, I would like to address the matter of trade-offs. All decisions in life involve trade-offs. As a medical doctor, when I advise my patients, I strive to avoid the tendency to focus exclusively on physical health considerations, while neglecting to give proper consideration to any economic, psychosocial, or other trade-offs my patients may face.

While the harmful effects of the pandemic occur in real time, the public health consequences of many pandemic policy trade-offs may not be immediately apparent but are nonetheless extremely damaging. It is important for policymakers to be sensitive to both the seen and the unseen consequences of pandemic policy.

Unseen public health consequences include the uncountable thousands people who will die from chronic illnesses and would have remained healthy had they been able to keep their routine medical appointments; the advanced cases of cancer that occurred due to bans on screening procedures and biopsies; the emergencies that arose because of moratoria on necessary elective medical procedures such as coronary bypass and organ transplants; and the many additions to the rising suicide rate in all age groups including those who suffer alone in pain because of closed pain clinics, social distancing, and shelter-in-place orders. Also unseen are those suffering from depression and other mental health disorders whose conditions become exacerbated due to mandated isolation. Down-the-road consequences include increased numbers of people with

substance use disorders and drug overdoses, as well as increased cases of spousal and child abuse; and stunted cognitive and social development in young children deprived of in-person schooling. There is also the risk that many old pandemics might make their return because of the thousands of children missing crucial immunizations against even more deadly and contagious pathogens.

Economic trade-offs factor into the social determinants of health. Never seen will be the individuals who won't have careers or jobs, the small business that will never open, and the hard-earned life savings that will never materialize due to the destruction that comes from stopping an economy. None of this will show up in any statistics.

Government officials are people, and rational people respond to incentives. A drop in new COVID-19 cases and fatalities in the wake of lockdown orders increases the likelihood of public approval and reelection. Inaction risks criticism and political punishment. The disparity between what is seen and what is not seen means that government officials have incentives to be overly cautious and impose more restrictions for longer lengths of time than what may really be necessary. That's why it is crucial to minimize the amount of decision-making authority vested in just one person.

An understanding of this dynamic should inform policy regarding public health emergencies going forward. Central governments and public health officials should use a light touch when responding to public health emergencies. On all levels of government, one-size-fits-all measures should be kept to a minimum, and civil society should be informed, guided, and entrusted to work out suitable solutions. Responses should be targeted, nuanced, flexible, and easily adjust to changes on the ground based upon local knowledge.

1 https://www.cato.org/publications/commentary/coronavirus-testing-delays-caused-red-tape-bureaucracy-scorn-private

2 https://www.theregreview.org/2020/05/14/oh-south-korea-success-against-covid-19/ ; https://elaw.klri.re.kr/kor_service/lawView.do?hseq=44278&lang=ENG ; https://elaw.klri.re.kr/kor_service/jomunPrint.do?hseq=44278&cseq=1084999

3 https://www.fda.gov/news-events/press-announcements/coronavirus-covid-19-update-fda-provides-more-regulatory-relief-during-outbreak-continues-help

4 https://repository.law.miami.edu/cgi/viewcontent.cgi?article=1288&context=umblr

[5] https://www.ema.europa.eu/en/documents/leaflet/european-regulatory-system-medicines-european-medicines-agency-consistent-approach-medicines_en.pdf

[6] https://www.congress.gov/bill/116th-congress/senate-bill/2161?s=2&r=13

[7] https://www.congress.gov/bill/116th-congress/senate-bill/3769/cosponsors?s=1&r=4&overview=closed&searchResultViewType=expanded

[8] https://www.cato.org/publications/policy-analysis/liberating-telemedicine-options-eliminate-state-licensing-roadblock

[9] https://www.congress.gov/bill/116th-congress/senate-bill/3993?s=1&r=1

[10] http://www.royalcollege.ca/rcsite/credentials-exams/assessment-international-medical-graduates-e

[11] https://cpsns.ns.ca/registration-licensing/future-practice/practice-ready-assessment/

[12] https://www.cato.org/blog/certificate-need-laws-will-impede-preparedness-expected-surge-covid-19-cases

The Heritage Foundation

CONGRESSIONAL TESTIMONY

"The Economic Impact of America's Failure to Contain the Coronavirus"

Testimony before the

Joint Economic Committee

U.S. Congress

September 22, 2020

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My name is Adam Michel. I am a Senior Policy Analyst for Fiscal Policy in the Hermann Center at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

The economic impact of the coronavirus in America has been unprecedented, and so has the federal response to the crisis. Now almost seven months into the pandemic, any additional aid must continue to be timely, targeted, and temporary. Congress can boost the economic recovery by returning power to state and local governments and reducing barriers to employment, business expansion, entrepreneurship, and capital formation.

My testimony will begin with a brief overview of the economic, fiscal, and health landscape, then outline an appropriate federal agenda to facilitate the recovery, highlight the inability of Congress to stimulate an economic recovery with more spending effectively, and end by reviewing a few examples of the policies Congress should avoid.

Current Landscape

The COVID-19 pandemic and resulting U.S. public policy responses have been remarkable in their size and scope. Intentionally shutting down non-essential economic activity has had a dramatic effect on the livelihoods of millions of Americans. At the end of March, weekly unemployment claims jumped from close to historic lows of around 200,000 to nearly 3.3 million—the worst week ever recorded. [1] Through the spring, American workers faced continued job losses as public fear of the virus kept consumers at home, and government orders kept businesses closed. In the second quarter of 2020, real gross domestic product (GDP) contracted by 9.1 percent, a 31.7 percent

[1] U.S. Department of Labor, Unemployment Insurance Weekly Claims, March 26, 2020, https://www.dol.gov/ui/data.pdf (accessed March 27, 2020).

annualized decline.[2]

In response, federal and state governments have taken unprecedented actions. Congress passed an emergency appropriations bill in early March, followed by the Families First Coronavirus Response Act (FFCRA), the Coronavirus Aid, Relief, and Economic Security Act (CARES), and an extension of the paycheck protection program (PPP) for small business loans.[3] To date, Congress has committed $4 trillion in coronavirus aid, with an estimated deficit impact of $2.1 trillion over a decade.[4] The Federal Reserve also took a number of significant actions to keep debt markets functioning, totaling about $7 trillion.[5] State governors have implemented their own wide-ranging programs to slow infections and provide assistance to those in need.

The federal aid, while flawed in many important ways, has served as a floor for the economy to rest on while non-essential functions closed and health officials tried to contain virus spread. Due to significant federal transfers in April, when GDP was contracting and consumer spending plummeted, disposable personal income *increased* by 16.5 percent, compared to April 2019, and remained elevated in the following months.[6] In the same quarter that GDP contracted by 9.1 percent, the personal savings rate (savings as a percentage of disposable income) increased from a pre-crisis level of about 8 percent to 26 percent.[7] At the height of the crisis, Americans spent less and received increased transfers through unemployment, economic impact payments (so-called "stimulus" checks), and other federal transfers.

A powerful one-time action, these temporary programs are not a sustainable solution on an ongoing basis, especially as the path of the virus over the next year remains highly uncertain. New benefits and subsidies can provide short-term Band-Aids, but economic security and opportunity come from markets, not governments. Government programs, even those implemented during crises, have future costs in the form of poor incentives, misallocation of investments, new public debts, and future tax increases. The federal government cannot keep the U.S. economy on life support forever—Americans must be allowed to return to work and school.

The economic shock of COVID-19 is the combined result of public fear of contracting or spreading the virus and government-ordered closures of large sectors of the economy. Unlike

[2]Annualized figures are adjusted growth rates that represent what the rate would be if the one quarter decline persisted the entire year. Bureau of Economic Analysis, Gross Domestic Product, Second Quarter 2020 (Second Estimate), Corporate Profits, Second Quarter 2020 (Preliminary Estimate), August 27, 2020, https://www.bea.gov/sites/default/files/2020-08/gdp2q20_2nd.pdf (accessed September 16, 2020).

[3]H.R. 6074, Coronavirus Preparedness and Response Supplemental Appropriations Act, 116th Cong., introduced March 4, 2020, https://www.congress.gov/bill/116th-congress/house-bill/6074/text (accessed March 27, 2020); H.R. 6201, Families First Coronavirus Response Act, 116th Cong., introduced March 11, 2020, https://www.congress.gov/bill/116th-congress/house-bill/6201 (accessed March 19, 2020); H.R. 748, Coronavirus Aid, Relief, and Economic Security Act, 116th Cong., https://www.documentcloud.org/documents/6819239-FINAL-FINAL-CARES-ACT.html (accessed March 27, 2020); and S. 4116, A bill to extend the authority for commitments for the paycheck protection program and separate amounts authorized for other loans under section 7(a) of the Small Business Act, and for other purposes, 116th Congress, introduced June 30, 2020, https://www.congress.gov/bill/116th-congress/senate-bill/4116/ (accessed September 14, 2020).

[4]Committee for a Responsible Federal Budget, "COVID Money Tracker," http://www.crfb.org/project/covid-money-tracker (accessed September 16, 2020); Congressional Budget Office, "An Update to the Budget Outlook: 2020 to 2030," September 2, 2020, https://www.cbo.gov/publication/56517 (accessed September 3, 2020).

[5]Committee for a Responsible Federal Budget, "COVID Money Tracker."

[6]Bureau of Economic Analysis, Personal Income and Outlays, July 2020, August 28, 2020, https://www.bea.gov/sites/default/files/2020-08/pi0720.pdf (accessed September 16, 2020).

[7]Bureau of Economic Analysis, Personal Income and Outlays, July 2020, August 28, 2020.

the financial crisis of 2008, temporary closures, lost wages, and depressed investment is not the result of structural problems in the U.S. economy. In February, employers expanded payrolls by 273,000, the unemployment rate ticked down to 3.5 percent, and average year over year wage growth was 3 percent—all signs of a healthy economy continuing to expand.[8]

Following a steep economic decline, the recovery is already underway. From February's peak, non-farm employment contracted by 22.2 million jobs, and as of August, just shy of half of those lost jobs (10.6 million) have returned. At the end of July, there were 6.6 million job openings, involuntary layoffs and discharges declined 1.2 percent, and the voluntary quits rate rose 2.1 percent, likely indicating workers feel more confident in finding employment elsewhere.[9] Retail and food service sales for August 2020 increased 2.6 percent over the previous year. Total 2020 sales are only 1.8 percent below the same period last year and are 0.4 percent *above* 2019 when excluding vehicles, parts, and gas stations.[10] Small business optimism in the National Federation of Independent Businesses' (NFIB) survey increased to slightly above the historical average in August.[11] The continuation of these positive trends is not inevitable—poor policy can stand in the way. The recovery of lost jobs, for example, has slowed as the virus continues to circulate, and much of the entertainment, hospitality, and travel sectors of the economy continue to face government restrictions and outsized losses in demand.

While there is still much uncertainty about the virus, what we have learned should inform our public policy response. Most importantly, stay-at-home orders are economically costly, and as three of my colleagues note in a comparative analysis of policy approaches to the coronavirus, "sweeping lockdown orders did not result in better outcomes than more targeted measures, such as isolation of the sick, mass testing, and contact tracing."[12] Governors and other local officials can successfully allow more Americans to pursue their economic livelihoods by abandoning one-size-fits-all policymaking. Instead, they should focus on targeting geographic hotspots and those who are demographically vulnerable.[13]

Lastly, testing is still an underutilized tool. Early in the pandemic, regulatory hurdles at the Centers for Disease Control and the Food and Drug Administration prohibited timely proliferation of mass testing in the United States. Early testing proved to be a decisive factor in helping countries like South Korea and Iceland contain the virus spread. Still today, federal bureaucracies are standing in the way of private-sector deployment of cheap rapid tests. Without rapid onsite testing, businesses, schools, and universities are forced to use much less accurate temperature tests and other

[8]Bureau of Labor Statistics, Employment Situation Summary – February 2020, March 6, 2020, https://www.bls.gov/news.release/empsit.nr0.htm (accessed March 27, 2020).

[9]Bureau of Labor Statistics, Job Openings and Labor Turnover Summary, September 9, 2020, https://www.bls.gov/news.release/jolts.nr0.htm (accessed September 16, 2020).

[10]U.S. Census Bureau, Advance Monthly Sales For Retail And Food Services, August 2020, September 16, 2020, https://www.census.gov/retail/marts/www/marts_current.pdf (accessed September 16, 2020).

[11]National Federation of Independent Business, Small Business Optimism Index, August 2020, https://www.nfib.com/surveys/small-business-economic-trends/ (accessed September 16, 2020).

[12]Kevin Dayaratna, Patrick Tyrrell, and Andrew Vanderplas, "A Comparative Analysis of Policy Approaches to COVID-19 Around the World, with Recommendations for U.S. Lawmakers," July 20, 2020, Heritage Foundation *Special Report* No. 234, https://www.heritage.org/public-health/report/comparative-analysis-policy-approaches-covid-19-around-the-world.

[13]The United States includes large populations who suffer from pre-existing conditions, such as diabetes and obesity, which are linked to significantly higher rates of COVID-19 deaths than for those without comorbidities. Dayaratna, Tyrrell, and Vanderplas, "A Comparative Analysis of Policy Approaches to COVID-19 Around the World, with Recommendations for U.S. Lawmakers."

screening protocols or wait days or weeks for test results.

Net coronavirus job losses ended in May and began to rebound quicker than most economists predicted. The reversal is not proof that the trillions of dollars of federal spending worked. Politicians and economists alike often overestimate the effectiveness of government incentives. For example, early estimates of the still popular paycheck protection program show that the subsidies "increased employment at small businesses by only 3%, implying a cost of $290,000 per job saved."[14] The high cost of saving one job demonstrates governments' limited ability to revive macroeconomic trends through fiscal policy. Instead, the quicker-than-expected rebound was driven by Americans ready to reengage in their communities and return to work. Private precautionary behavior began shutting down the economy before governments-imposed lockdowns. Likewise, individuals and private businesses now seem ready to reopen, accepting new risks, and mitigating them with new policies and procedures. Any additional fiscal program Congress pursues is a poor substitute for allowing society to reopen and letting Americans adapt to the new normal.

An Appropriate Federal Response

The initial role of Congress in providing timely, temporary, and targeted relief in the face of government-imposed closures is quickly ending. Further federal funding to backfill state and local budgets or more general stimulus efforts are neither timely nor effective at supporting the economy, and extension of temporary programs can effectively shift temporary policy into a state of permanence.

Additional large-scale federal aid threatens to derail the recovery by interfering with the incentives that are crucial to getting America back to work while improperly adding to the future uncertainty surrounding the federal debt. Lawmakers should resist the temptation to direct economic activity with checks from Washington or other large-scale government purchases. Instead, Congress and the President should focus on clearing the path for American society to adapt and rebuild. They can encourage states to continue letting businesses reopen, encourage schools to reopen for voluntary in-person learning, and help states increase low-cost, rapid testing and isolation of those who are sick.

To facilitate the continued return of jobs, Congress should focus first on removing unnecessary rules that increase the cost of doing business and restrict the ability of people to find fulfilling work. Repairing broken supply chains, reopening shuttered businesses, rehiring furloughed employees, establishing new businesses, and expanding those businesses that survived the crisis will continue to be a challenging task, but Congress is not well suited to direct any of this activity. In some cases, especially in health care sectors, many regulations have already been suspended temporarily; these temporary policies should be made permanent.[15] Elsewhere, long-standing laws and regulations prohibit Americans from pursuing the path that is best for them and their families. While no list is comprehensive, Congress should focus on the following reforms:

Supplement Unemployment and Schedule Reduced Benefits. To address the sudden loss of jobs and wages following fear of the pandemic and wide-ranging business closure orders, it made sense to temporarily expand

[14]Raj Chetty, John N. Friedman, Nathaniel Hendren, Michael Stepner, and the Opportunity Insights Team, "The Economic Impacts of COVID-19: Evidence from a New Public Database Built from Private Sector Data," Opportunity Insights *Working Paper*, September 2020, https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf (accessed September 16, 2020).

[15]Romina Boccia and Adam N. Michel, "How Congress Can Enable the Great American Economic Recovery," Heritage Foundation *Backgrounder* No. 3491, April 30, 2020, https://www.heritage.org/budget-and-spending/report/how-congress-can-enable-the-great-american-economic-recovery.

unemployment insurance benefits. In normal times, research shows that larger unemployment benefits result in higher levels and longer durations of unemployment.[16] At the height of the unemployment crisis, work disincentives from expanded unemployment were likely weak, but as businesses reopen and look to staff up, typical concerns about the negative effects of enhanced unemployment benefits become more pressing.

The CARES Act extended the duration of benefits to 39 weeks; made them available to tens of millions of previously ineligible, self-employed, and gig workers; and added a $600 per week benefit on top of existing state benefits, which usually replace between 40 percent and 50 percent of workers' previous wages. The flat $600 bonus payments, which expired on July 31, allowed a majority of workers to receive more from unemployment than from their previous paychecks.

My colleague Rachel Greszler has recommended the federal government provide a 40 percent match to state benefits, also applying the match to partial-benefit programs that allow part-time work as employers gradually reopen.[17] Proportional benefits are the right policy to support unemployed workers without unnecessarily reducing employment or making it harder for businesses to recover. However, in light of apparent administrative difficulties, the Senate Republican proposal for a $200 bonus is a reasonable compromise.

To avoid a sharp cut-off of federal unemployment support at the end of the year, policymakers should gradually reduce federal support and return to fully state-funded and operated unemployment insurance systems in 2021 and beyond.

Protect Workers, Schools, and Businesses Who Follow Reasonable Measures. Liability protection would provide schools and businesses the certainty they need to reopen and not be hit with expensive, frivolous lawsuits if they rely on and attempt to follow government standards and guidance on virus mitigation. The Safeguarding America's Frontline Employees to Offer Work Opportunities Required to Kickstart the Economy (SAFE TO WORK) Act provides these protections while still holding accountable grossly negligent behavior.[18]

Increase Access to Capital and Reduce Future Uncertainty. Entrepreneurs will drive the post-pandemic recovery by reopening existing businesses and taking risks on novel ideas to fill new needs in the post-crisis world. As we saw after the Great Depression and the Great Recession, economic crises often induce out-of-work individuals to take the leap and start their own business. The coronavirus recession has already boosted the number of new business applications,[19] and with the right policy, these budding companies could be the next great American firms. Entrepreneurs can access funds for their business by either borrowing or seeking an equity investment from investors. The

[16]Drew Gonshorowski and Rachel Greszler, "The Impact of Additional Unemployment Insurance Benefits on Employment and Economic Recovery: How the $600-per-Week Bonus Could Backfire," Heritage Foundation *Backgrounder* No. 3490, April 29, 2020, https://www.heritage.org/sites/default/files/2020-04/BG3490_0.pdf.

[17]Rachel Greszler, "Tackling COVID-19 Unemployment: Work Opportunities and Targeted Support Beat Windfall Bonuses," July 1, 2020, Heritage Foundation *Backgrounder* No. 3506, https://www.heritage.org/jobs-and-labor/report/tackling-covid-19-unemployment-work-opportunities-and-targeted-support-beat.

[18]S. 4317, Safeguarding America's Frontline Employees To Offer Work Opportunities Required to Kickstart the Economy Act, 116th Congress, introduced July 27, 2020, https://www.congress.gov/bill/116th-congress/senate-bill/4317 (accessed September 16, 2020); Adam N. Michel, Rachel Greszler, Lindsey Burke, and Brian E. Finch, "Senate GOP Coronavirus Bill Has Some Good Provisions but Needs Serious Work," Daily Signal, July 29, 2020, https://www.dailysignal.com/2020/07/29/senate-gop-coronavirus-bill-has-some-good-provisions-but-needs-serious-work/.

[19]Allison Schrager, "Across the South and Midwest, Coronavirus Is Producing a New Generation of Entrepreneurs," Economics21, August 20, 2020, https://economics21.org/coronavirus-recession-and-entrepreneurship (accessed September 16, 2020).

current federal tax and regulatory systems create unnecessary barriers and uncertainty for small businesses that need capital. The following reforms can help expand the options for funding small and start-up businesses.

- **Allow permanent full expensing for all new investments** so that businesses can deduct spending on items such as equipment, tools, manufacturing floor space, and new housing in the same way they currently can deduct employee wages, advertising costs, and rent. This change would lower the cost of investing in American and American workers. Under current law, short-lived assets (those with useful lives of 20 years or less) are eligible for full expensing through 2022, and then it phases out over the following five years.[20] New buildings are not currently eligible for the benefits of expensing. The Cost Recovery and Expensing Acceleration to Transform the Economy and Jumpstart Opportunities for Businesses and Start-ups (CREATE JOBS) Act would boost long-run growth by making existing expensing permanent and allowing longer-lived investments the ability to use a "neutral cost-recovery system," which provides a similar economic benefit as expensing.[21]
- **Enact a physical presence standard for tax liabilities** so that out-of-state businesses cannot be forced to collect a state's sales taxes on goods sold to customers in the state, if the business has no physical connection—or political recourse—in the customer's state. Without this protection, the regulatory compliance and tax-assessment risks from state and local revenue collectors in thousands of tax jurisdictions around the country adds to the costs small online businesses face as they attempt to compete with their larger rivals.[22]
- **Let entrepreneurs raise capital using finders, private-placement brokers, and peer-to-peer lending platforms** by simplifying rules and lowering barriers that increase the cost of starting or expanding a small business. The Unlocking Capital for Small Businesses Act of 2019 (H.R. 3768) would allow small businesses to enlist help in finding investors.[23] Additional reforms are necessary to appropriately treat Internet lending as a loan and not a security.[24] Simplifications should also be made to the U.S. Securities and Exchange Commission's (SEC) exemption and disclosure framework and the definition of "accredited investor."

Increase Worker Flexibility. American workers have endured the highest unemployment levels ever recorded, as many businesses cannot afford to keep paying payroll following depressed revenues. To help the labor market continue its rebound, Congress can address many barriers faced by workers and employers to increase flexibility and choice in

[20]A year earlier, new spending on research and development will also lose the benefit of expensing.
[21]Adam N. Michel, "Why the CREATE JOBS Act Should Be an Essential Part of the Recovery," The Daily Signal, August 4, 2020, https://www.dailysignal.com/2020/08/04/why-create-jobs-act-should-be-an-essential-part-of-the-recover/; Erica York, Alex Muresianu, and Garrett Watson, "FAQ on Neutral Cost Recovery and Expensing," Tax Foundation, July 10, 2020, https://taxfoundation.org/neutral-cost-recovery-full-expensing-faq/ (accessed September 16, 2020).
[22]Adam N. Michel, "Without These Protections, States Will Tax Small Businesses to Death," The Daily Signal, March 4, 2020, https://www.dailysignal.com/2020/03/04/without-these-protections-states-will-tax-small-businesses-to-death/.
[23]David R. Burton, "Let Entrepreneurs Raise Capital Using Finders and Private Placement Brokers," Heritage Foundation *Backgrounder* No. 3328, July 10, 2018, https://www.heritage.org/sites/default/files/2018-07/BG3328.pdf.
[24]David R. Burton, "Improving Entrepreneurs' Access to Capital: Vital for Economic Growth," Heritage Foundation *Backgrounder* No. 3182, February 14, 2017, https://www.heritage.org/jobs-and-labor/report/improving-entrepreneurs-access-capital-vital-economic-growth.

the labor market.[25] While the federal government plays a role, state lawmakers can also make significant reforms by eliminating unnecessary occupational licensing requirements, moving barriers to home-based businesses, and repealing work restrictions such as California's anti-gig-economy law, Assembly Bill No. 5 (AB5). Congress should focus on the following reforms to increase flexibility for workers:

- **Harmonize the government's multiple definitions of "employee"** by clarifying the test for independent contractor status under the Fair Labor Standards Act; the National Labor Relations Act; and the tax code using the "common law" test, which bases determinations on how much control an employer exerts over a worker. Similarly, Congress should codify the definition of a joint employer to apply only if one company exercises direct and immediate control over another company's employees.[26]
- **Establish a "safe harbor" for contractor benefits** so that contract-based workers, such as Uber drivers and Instacart shoppers, can receive non-wage compensation in the form of paid sick leave or personal protection equipment without triggering an employer-employee relationship that would deprive independent contractors of the flexibility and autonomy that they desire.
- **Allow hourly wage workers to choose paid time off** by passing the Working Families Flexibility Act, which ends the prohibition on offering workers the choice between pay and paid time off for overtime hours worked.[27]
- **Allow household employees to elect contractors status** so that individuals performing household work, such as cleaning or childcare, are not required to be treated as employees, allowing workers to benefit through higher base pay from compliance and tax savings for the household they serve.
- **Rollback the U.S. Department of Labor's recent increase in the overtime threshold** so that employers and workers have the flexibility they need to adapt to the changing work environment.
- **Create Universal Savings Accounts** so every American, regardless of work status, can have access to an all-purpose savings account to build a personal rainy day fund to better weather the risks of a future economic or health crisis. Universal Savings Accounts (USAs) accept post-tax earnings, all withdrawals would be excluded from taxable income, and accrued earnings would be tax-free. Simple and flexible accounts allow more workers at all income levels to save more of their earnings with fewer restrictions on where and when they can spend their own money.[28]

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[25]Greszler, "Labor Policy for COVID-19 and Beyond: Recommendations to Get Americans Back to Work."

[26]Establishing this change by statute, instead of through the typically partisan National Labor Relations Board, would help to protect the viability of businesses that contract out core functions, those that use temporary staffing agencies, and franchises. James Sherk, "Unions Are Waging War on These Small Businesses," The Daily Signal, December 28, 2014, http://dailysignal.com/2014/12/28/the-unions-are-waging-war-on-these-small-businesses/, and Stephen Moore, "Obama, Unions, Trial Bar Take Aim at Franchise Model," Heritage Foundation *Commentary*, September 23, 2014, http://www.heritage.org/research/commentary/2014/9/obama-unions-trial-bar-take-aim-at-franchise-model.

[27]Rachel Greszler, "A Simple Way to Help Workers and Employers Hurt by Coronavirus," Heritage Foundation *Commentary*, March 15, 2020, https://www.heritage.org/jobs-and-labor/commentary/simple-way-help-workers-and-employers-hurt-coronavirus.

[28] Adam N. Michel, "Universal Savings Accounts Can Help All Americans Build Savings," Heritage Foundation *Backgrounder*, December 4, 2019, https://www.heritage.org/taxes/report/universal-savings-accounts-can-help-all-americans-build-savings.

Structural Reforms, Also Necessary to Sustain a Strong Economic Rebound. Congress should not stop at removing immediate barriers to economic recovery. A broader pro-growth agenda that tackles systematic impediments to investment, innovation, and employment will be crucial to sustaining a robust economic rebound. The Administration should continue to roll back past expansions of existing laws. Congress should enact systemic reforms to the administrative state to prevent harmful future executive re-interpretation of existing laws. Congress needs to reassert its authority in setting and lowering tariffs and advance new free trade agreements to quiet long-term uncertainty associated with global trade. Congress should also reduce unnecessary environmental barriers to economic development that achieve little to no environmental benefit. Additional specific recommendations can be found in a recent Heritage Foundation *Backgrounder*, "How Congress Can Enable the Great American Economic Recovery,"[29] and *Special Report*, "Restoring America as the Land of the Free."[30]

Stimulus Spending, a Fool's Errand

The Great Recession taught a sobering lesson. The government cannot spend its way back to economic prosperity. At best, so called "stimulus" measures are ineffective. At worst, they can delay the recovery and prolong financial hardship.[31] Additional economic impact payments to individuals, temporary payroll tax holidays, more federal support to keep state budgets elevated, or new infrastructure spending are all misguided attempts to support the economy.

For stimulus spending to work, new government programs must add to, rather than crowd out, private-sector jobs. That is not what happens. Historically, stimulus spending shrinks the private sector. In a 10-year retrospective on new research following the financial crisis, Valerie A. Ramey investigates the effectiveness of government spending programs as a response to recessions. Chart 1 shows Ramey's sampling of government spending multipliers (the ratio of increased GDP to government spending). The multipliers come from researchers using a wide range of models, techniques, data, and time periods. A multiplier below one means that additional government spending shrinks private activity and could slow total economic output. Summing up the results, Ramey explains, "The bulk of the estimates across the leading methods of estimation and samples lie in a surprisingly narrow range of 0.6 to 1." She concludes that stimulus spending likely does "not stimulate additional private activity and may actually crowd it out."[32] Other research shows that government stimulus spending is more likely to be economically destructive when governments have debt-to-GDP ratios similar to that of the U.S.[33]

[29]Romina Boccia and Adam N. Michel, "How Congress Can Enable the Great American Economic Recovery," Heritage Foundation *Backgrounder* No. 3491, April 30, 2020, https://www.heritage.org/budget-and-spending/report/how-congress-can-enable-the-great-american-economic-recovery.

[30]Nicolas Loris, "Restoring America as the Land of the Free," Heritage Foundation *Special Report* No. 224, April 28, 2020, https://www.heritage.org/economic-and-property-rights/report/restoring-america-the-land-the-free.

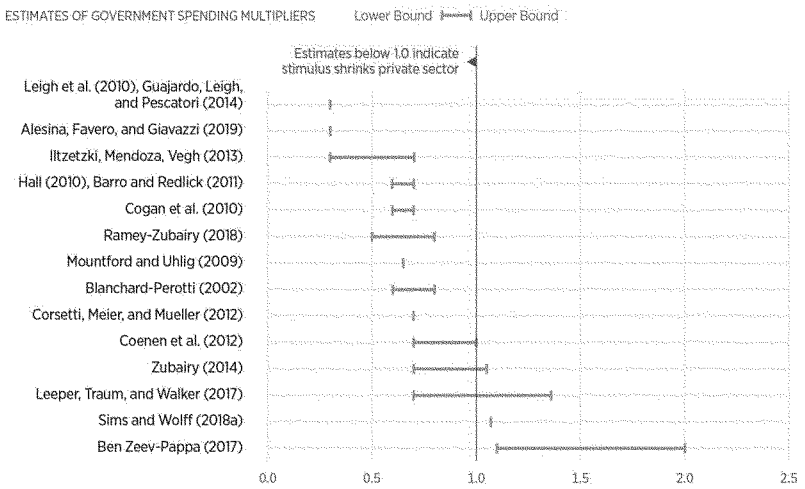
[31]Adam N. Michel, "The False Promise of Stimulus Spending: Lessons from the Great Recession," Heritage Foundation *Backgrounder* No. 3493, May 6, 2020, https://www.heritage.org/markets-and-finance/report/the-false-promise-stimulus-spending-lessons-the-great-recession.

[32]Valerie A. Ramey, "Ten Years after the Financial Crisis: What Have We Learned from the Renaissance in Fiscal Research?" *Journal of Economic Perspectives*, Vol. 33, No. 2 (Spring 2019), p. 90, https://pubs.aeaweb.org/doi/pdf/10.1257/jep.33.2.89 (accessed April 8, 2020).

[33]Ethan Ilzetzki, Enrique G. Mendoza, and Carlos A. Végh, "How Big (Small?) Are Fiscal Multipliers?" *Journal of Monetary Economics*, Vol. 60 (2013), pp. 239–245, https://www.sas.upenn.edu/~egme/pp/MendozaetalJME.pdf (accessed May 5, 2020).

CHART 1

Stimulus Spending Shrinks Private Sector



NOTES: Estimates use aggregate data, no state dependence.
SOURCE: Valerie A. Ramey, "Ten Years After the Financial Crisis: What Have We Learned from the Renaissance in Fiscal Research?" *Journal of Economic Perspectives*, Vol. 33, No. 2 (Spring 2019), Table 1, https://pubs.aeaweb.org/doi/pdf/10.1257/jep.33.2.89 (accessed May 1, 2020).

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After the 2009 infrastructure stimulus, a survey of construction firms found that stimulus projects went to businesses that were already busy. Many of them had subsequently turned down private-sector jobs in favor of more lucrative government contracts. Only 4 percent of workers at subsidized firms had been rehired from the ranks of the previously unemployed.[34] Most jobs, especially construction jobs for infrastructure projects, require training and skills to be safe and effective. Instead of training unemployed workers to expand payrolls, federal contractors often hire skilled workers from the private sector at inflated wages. The temporary influx of government money shifts resources within the industry instead of actually expanding it.

By shifting resources, government spending can destroy jobs and shrink private-sector growth while wasting taxpayer dollars. For example, the 2009 stimulus channeled over $500 million to Solyndra, only to have the solar manufacturer go bankrupt.[35] Smaller projects,

[34]Garett Jones and Daniel M. Rothschild, "The Limits of Infrastructure Stimulus," Mercatus Institute COVID-19 *Policy Brief Series*, March 25, 2020, https://www.mercatus.org/publications/covid-19-policy-brief-series/limits-infrastructure-stimulus (accessed May 5, 2020).

[35]Institute for Energy Research, "Recapping the Obama Administration Green Energy Stimulus Failures," January 9, 2013,

like a Nevada biomass electricity plant, closed as soon as the federal funds had dried up.[36] Temporarily pushing businesses and workers to respond to government priorities creates new costs when the public funding ends and industries must again reshuffle to meet private-sector demands.

Congress Should Cut, Not Increase Spending

The U.S. fiscal gap—the difference between revenues and expenditures—is a systemic problem driven by sustained growth in mandatory spending since the early 1970s.[37] The current health and economic crisis will only serve to accelerate unsustainable budget trends that have been baked into U.S. fiscal policy for decades. Additional federal stimulus spending will likely result in $2 trillion average deficits over the next decade.[38] If left unaddressed, Congress will eventually have to cut spending growth or increase taxes. Historically, cutting spending results in faster economic recovery and lower debt levels. Tax increases slow growth and fail to reduce debt levels.[39]

Delaying sustainable budget reforms—by doing nothing or responding with higher taxes—will make the pandemic-induced recession worse and will ensure a longer and more drawn-out economic recovery. Delayed fiscal action will eventually force a debt crisis at an unknown point in the future. In the meantime, the cost and uncertainty of an impending crisis and resulting fiscal adjustment will simmer under the surface for years or decades, dragging down potential growth. The costs of high debt-to-GDP ratios are well documented and have already reduced U.S. growth.[40] Continued increases in public debt will further shrink business investment, reducing productivity, wages, and economic output.

Following unsustainable budgets, properly implemented fiscal adjustments driven by spending cuts can help boost economic recovery and do not have to be contractionary, as predicted by many mainstream economic models. Implemented correctly, expenditure-based fiscal adjustments can be pro-growth in the short run and long run.[41] Reducing government spending can restore confidence in the government's fiscal capacity and reassure

https://www.instituteforenergyresearch.org/renewable/solar/recapping-the-obama-administration-green-energy-stimulus-failures/ (accessed April 29, 2020).

[36]Tom Coburn and John McCain, "Summertime Blues," August 2010, https://www.washingtonpost.com/wp-srv/politics/documents/GOP_simulus_index.pdf (accessed April 29, 2020).

[37]Jeffery Miron, "U.S. Fiscal Imbalance over Time: This Time Is Different," Cato Institute *White Paper*, January 26, 2016, https://www.cato.org/publications/white-paper/us-fiscal-imbalance-over-time-time-different (accessed July 7, 2020).

[38]Committee for a Responsible Federal Budget, "Updated Budget Projections Show Fiscal Toll of COVID-19 Pandemic," June 24, 2020, http://www.crfb.org/papers/updated-budget-projections-show-fiscal-toll-covid-19-pandemic (accessed July 6, 2020).

[39]Alberto Alesina, Carlo Favero, and Francesco Giavazzi, *Austerity: When It Works and When It Doesn't* (Princeton, NJ: Princeton University Press, 2019).

[40]Carmen M. Reinhart, Vincent R. Reinhart, and Kenneth S. Rogoff, "Public Debt Overhangs: Advanced-Economy Episodes since 1800," *Journal of Economic Perspectives*, Vol. 26, No. 3 (2012), pp. 69–86, https://www.aeaweb.org/articles?id=10.1257/jep.26.3.69 (accessed July 10, 2020); Thomas Grennes, Qingliang Fan, and Mehmet Caner, "New Evidence on Debt as an Obstacle to US Economic Growth," Mercatus Center *Working Paper*, March 2019, https://www.mercatus.org/system/files/grennes-debt-obstacle-growth-mercatus-working-paper-v2.pdf (accessed August 13, 2020); and Salim Furth, "High Debt Is a Real Drag," Heritage Foundation *Issue Brief* No. 3859, February 22, 2013, https://www.heritage.org/debt/report/high-debt-real-drag.

[41]John F. Cogan, Daniel L. Heil, and John B. Taylor, "A Pro-Growth Fiscal Consolidation Plan for the United States," Hoover Institution Economics *Working Paper* No. 20114, July 9, 2020, https://www.hoover.org/sites/default/files/research/docs/20114-cogan_heil_taylor_.pdf (accessed August 11, 2020).

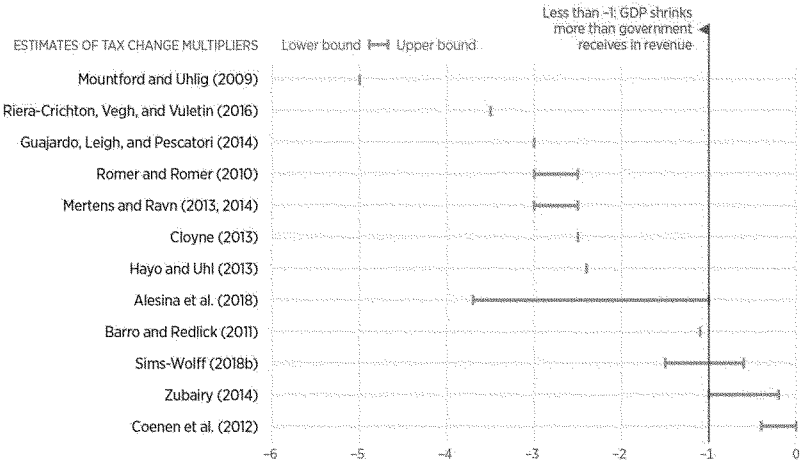
taxpayers and investors that revenues will not have to increase to cover current unfunded expenditures. Cutting taxes is not always necessary to activate a supply-side response resulting in additional economic activity. Merely removing the threat of future tax increases by constraining current spending can boost private investment and consumption.

Tax Increases Kill Economic Recovery. Raising taxes as a strategy to balance budgets or pay for new stimulus spending is less successful and more damaging to economic growth than cutting spending. Historically, tax-based pans to balance budgets lead to deep and prolonged recessions. In general, the economic cost of tax increases is high and confirmed by a wide range of estimates. In her review of the literature, Ramey shows that in most estimates, tax increases reduce GDP by two or three times the increase in revenue. (See Chart 2.) The economic costs of tax increases are often larger than the revenue raised because higher taxes change incentives, making working and investing less attractive. By shrinking the economy, tax increases have historically been self-defeating as budget tools because they ultimately do not raise enough revenue to cover spending growth.

In order to facilitate a robust American economic recovery and ensure that rising government debt does not lead to a fiscal crisis, lawmakers should reduce the growth rate of spending through entitlement reform and prevent taxes from increasing in 2026 when the

CHART 1

Tax Hikes Shrink Economy Two to Three Times More than Revenue Raised



NOTE: Estimates use aggregate data, no state dependence.
SOURCE: Valerie A. Ramey, "Ten Years after the Financial Crisis: What Have We Learned from the Renaissance in Fiscal Research?" *Journal of Economic Perspectives*, Vol. 33, No. 2 (Spring 2019), p. 105, https://pubs.aeaweb.org/doi/pdf/10.1257/jep.33.2.89 (accessed August 17, 2020).

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2017 Tax Cuts and Jobs Act expires. Most importantly, for the current debate, Congress must not approve additional federal spending in hopes of accelerating the recovery. Additional stimulus spending will simply worsen America's budget imbalances without the benefits of the promised economic boost. Some of the most popular proposals for additional federal spending are reviewed below.

Refuse to Bail Out Irresponsible States and Localities. The federal response to the COVID-19 pandemic has already provided $360 billion to state and local governments in direct aid to cover costs of coronavirus spread and containment, support for education systems, childcare for frontline workers, and subsidies for mass transit systems.[42] In addition to direct aid, the Federal Reserve has provided $500 billion in short-term loans for state and municipal governments. Moreover, the $1.2 trillion in relief for individuals and businesses represent further indirect support for states, which will materialize as higher income and sales revenues. While state and local revenue did fall by about 3 percent between the first and second quarter of 2020, federal aid actually allowed total state and local revenues to increase quarter-to-quarter. Instead of raising taxes or asking for a federal bailout, state revenue shortfalls should be addressed by working to safely reopen local economies, rolling back recent spending increases, and bringing public employee compensation and retirement benefits in line with the private sector.[43]

Bailing out state and local budgets with unrestricted federal dollars would not protect state taxpayers from higher taxes as aid simply moves state funding shortfalls into the future. When the federal money runs out, states have historically increased taxes; each dollar of federal grant money resulting in 40 cents of state and local tax increases.[44] Federal subsidies also undermine local decision-making about the best pace for reopening and set a dangerous precedent that could lead to trillions of dollars in additional federal bailouts of the most irresponsible states and localities. Federal aid tends to expand state budgets and make them less resilient during future crises, perpetuating problems like systematic pension underfunding.

Moving state funding to the federal government does little more than redistribute local costs to federal taxpayers across all 50 states. It certainly does not make sense for the federal government to assume state and local shortfalls when the federal government already has about seven times as much debt per capita compared to state and local governments. Congress can help states by providing flexibility for existing funding sources and lifting unfunded mandates.[45]

Congress should also not authorize additional federal funding for educational institutions. Congress already authorized $31 billion for schools in the March CARES Act, of which data from June shows that just 1 percent had been spent.[46] Authorizing an additional $105 billion as proposed by Senate Republicans would—

[42]Committee for a Responsible Federal Budget, "COVID Relief Includes $360 Billion of State and Local Aid," September 16, 2020, http://www.crfb.org/blogs/covid-relief-includes-360-billion-state-and-local-aid (accessed September 16, 2020).

[43]Rachel Greszler, "How States Can Address Their COVID-19 Budget Shortfalls without Federal Bailouts," Heritage Foundation *Backgrounder*, June 8, 2020, https://www.heritage.org/budget-and-spending/report/how-states-can-address-their-covid-19-budget-shortfalls-without-federal.

[44]George R. Crowley, Russell Sobel, "Do Intergovernmental Grants Create Ratchets in State and Local Taxes?," Mercatus Center *Working Paper*, September 7, 2010, https://www.mercatus.org/publications/government-spending/do-intergovernmental-grants-create-ratchets-state-and-local-taxes (accessed September 16, 2020).

[45]Adam N. Michel, "State Bailouts Create Poor Incentives, Do Not Fix Underlying Problems," Heritage Foundation *Backgrounder* No. 3488, April 17, 2020, https://www.heritage.org/budget-and-spending/report/state-bailouts-create-poor-incentives-do-not-fix-underlying-problems.

[46]U.S. Government Accountability Office, "COVID-19: Opportunities to Improve Federal Response and Recovery Efforts," Report to the Congress, GAO-20-625, June 25, 2020, https://www.gao.gov/reports/GAO-20-625/#appendix19 (accessed September 16, 2020).

combined with past coronavirus federal education bailout money—nearly double the Department of Education's annual discretionary budget. Congress should instead provide states with flexibility over how existing federal education dollars are spent. School districts need to reprioritize spending, focusing on excessive growth in non-teaching staff, administrative bloat, and unfunded pension liabilities that have been squeezing taxpayers for years.[47]

Do Not Renew Stimulus Payments. The first round of so-called $1,200 stimulus checks was not a good use of taxpayer dollars, and a second round would be similarly wasteful. One problem with sending checks to most Americans is that the funds are inadequate for those who have lost their jobs and unnecessary for the more than 140 million workers who are employed.[48] The fact that the savings rate surged from a pre-crisis level of about 8 percent to 26 percent in the second quarter of 2020 suggests that many households do not face income shortfalls and will not spend additional stimulus checks immediately.[49]

The stimulus checks are also not actually stimulative.[50] In 2008 and 2009, stimulus checks and rebates did not change broad measures of consumer demand, breaking the key link that would predict increased consumption creating a broader government-induced economic recovery.[51] One reason one-time payments may have little to no impact on aggregate trends is that many individuals spend and save their income based on expectations about their future income.[52] Looking over their life cycle, individuals factor in things like the possibility of future tax increases to pay for current period benefits and temporary versus permanent changes in income. A similar critique applies to a temporary payroll tax cut.[53]

Resist New Work Subsidies and Other Tax Credits. Proposals in both the House and Senate include tax credits for businesses who hire COVID-19 unemployment recipients, new credits to cover the costs of employee protection expenses, expansions of the employee retention tax credit, and additional funding for the paycheck protection program, among others. While it is understandable to want to help get people back to work, additional business payroll subsidies would complicate the hodgepodge of previously enacted subsidies. And they would not be an effective use of future taxpayers' money because back-to-work subsidies would provide windfall benefits to individuals and employers who were already going to find employment or hire back workers. New tax-credit programs are also unlikely to help the most vulnerable and smallest businesses amid mounting complexity in the existing

[47]Lindsey Burke, "In COVID-19 Bill, Schools Need Funding Flexibility, Not Another Federal Bailout," The Daily Signal, July 29, 2020, https://www.dailysignal.com/2020/07/29/in-covid-19-bill-schools-need-funding-flexibility-not-another-federal-bailout/.

[48]Rachel Greszler and John Fleming, "4 Charts Show Why Temporary, Targeted Support Beats Checks to Everyone," The Daily Signal, March 27, 2020, https://www.dailysignal.com/2020/03/27/4-charts-show-why-temporary-targeted-support-beats-checks-to-everyone/.

[49]Bureau of Economic Analysis, Personal Income and Outlays, July 2020, August 28, 2020.

[50]Adam N. Michel, "The False Promise of Stimulus Spending: Lessons from the Great Recession," Heritage Foundation *Backgrounder* No. 3493, May 6, 2020, https://www.heritage.org/markets-and-finance/report/the-false-promise-stimulus-spending-lessons-the-great-recession.

[51]John B. Taylor, "Fiscal Stimulus Programs During the Great Recession," Hoover Institution Economics *Working Paper* No. 18117, December 7, 2018, https://www.hoover.org/sites/default/files/research/docs/18117_taylor.pdf (accessed April 27, 2020).

[52]Milton Friedman, *A Theory of the Consumption Function* (Princeton University Press, 1957), pp. 20–37, and Franco Modigliani, "The Life Cycle Hypothesis of Saving, the Demand for Wealth and the Supply of Capital," *Social Research*, Vol. 33 (1966), pp. 160–217.

[53]Joel Griffith and Adam N. Michel, "Payroll Tax Suspension Executive Order Is Legally Dubious, Economically Unnecessary," The Daily Signal, August 10, 2020, https://www.dailysignal.com/2020/08/10/payroll-tax-suspension-executive-order-is-legally-dubious-economically-unnecessary/.

coronavirus response.[54] Individuals and employers need to spend their time and money maintaining their livelihoods, regaining their customers, and adjusting their operations to new COVID-19 realities.

Instead, the existing pandemic programs force employers to spend their time figuring out complicated interactions and ambiguous enforcement. New programs expand that complexity, change the rules yet again, and create a new maze of programs to navigate. Many of the smallest businesses cannot afford the tax and legal counsel necessary to comprehend and comply with these programs. Some have even thrown up their hands in frustration and given back the money.

Simple relief is the most effective relief. The congressional response should remain targeted at containing the virus and streamlining programs that already exist, rather than creating new complexity. If Congress decides extended business subsidies are necessary, relief should be targeted through just one program, such as a streamlined version of the employee retention tax credit.[55] Ultimately, additional subsidies will not save struggling industries unless people are willing and able to return to their communities and resume something resembling normal spending patterns.

[54]Adam N. Michel, "Congress Should Streamline Existing COVID-19 Relief, Not Add New Programs," The Daily Signal, July 7, 2020, https://www.dailysignal.com/2020/07/07/congress-should-streamline-existing-covid-19-relief-not-add-new-programs/.

[55]Alex Brill, "Toward a Better Employee Retention Tax Credit," AEIdeas, August 3, 2020, https://www.aei.org/economics/toward-a-better-employee-retention-tax-credit/ (accessed September 16, 2020).

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