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RECESSION REMEDIES: LESSONS LEARNED FROM THE U.S. ECONOMIC POLICY RESPONSE TO COVID-19

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Welcome:

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Former U.S. Treasury Secretary
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Keynote Address:

THE HONORABLE JANET YELLEN
Secretary
U.S. Treasury Department

Roundtable Discussion: Policy Lessons Learned:

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PARTICIPANTS (CONT'D):

Roundtable Discussion: Program Implementation and Administration:

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THE HONORABLE HAKEEM JEFFRIES (D-NY)
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P R O C E E D I N G S

SECRETARY RUBIN: Alrighty, good morning. I'm Bob Rubin. On behalf of the Hamilton Project, my colleagues at The Hamilton Project and The Hutchins Center, we're pleased to welcome you to what is our first in-person event for each of us since the beginning of COVID. We'll be live discussing what has been a joint project between the Hutchins Center and The Hamilton Project which is Recession Remedies Learned from the U.S. Economic Response to COVID-19.

We all know that COVID-19 was a very serious event with respect to our economy. And then what happened is a much faster and stronger recovery than nearly any forecaster had forecast, and that was a function in large measure of fiscal and monetary policy. And that will be the subject of our discussion today and what lessons are to be learned from that for the future.

The moderators will introduce the panelists. As you can see by looking at your materials, we have a fabulous group of people, so this should be a very useful and I believe helpful discussion on what we can learn from the fiscal monetary policies that can apply to the next recession, whenever it may come. And in that context, the panelists will be discussing not only the policies, but how they separate with respect to COVID-19 specific, and recession more generally since whatever the success recession is a function of, most likely will not be function of the pandemic.

Let me add one personal comment if I may. I've been involved with economic policy issues for over five decades. And the public and, you all know this very well, the public and the policy debate discussion in this country today over policy issues had deteriorated enormously into what I think is a deeply distressing level. And that it seems to me that deterioration is a tremendous problem with respect to our country being able to meet these challenges and inspect the future of our nation. And hopefully the kind of discussions we have today and the kind of discussion at the Hutchins Center and Hamilton project promote, will help alleviate that overtime and contribute to a resurrection if you will the effectiveness of our political system.

And I believe in the context of this badly deteriorating situation, what The Hudson Center does, what The Hamilton Project does, are a very valuable and urgent meeting a valuable and urgent need in our political system.

Let me conclude by recognizing The Hamilton Project leadership, Wendy Edelberg, our outstanding Director, Este Griffith, our highly effective Managing Director, and Lauren Bauer, are deeply thoughtful Associate Director. Let me also recognize the extremely capable leadership at The Hudson Center, David Wessel, who I've known forever, and Louise Sheiner.

Now, I am pleased and honored to introduce the 78th Secretary of the Treasury, Janet Yellen. As you all know, yeah, I agree with that. (Applause)

Yeah, that's right. Come on up. As you know, Janet served as Chair of the Council of Economic Advisers under President Clinton when I was there. Then she was President of the San Francisco Fed, Vice Chair and then Chair of the Federal Reserve Board, and now, of course, Secretary of Treasury. I was going to say that was a trifecta, but it's not a trifecta, it's a fivefecta, whatever that word is. And it's a really remarkable run. Nobody in American history has occupied these positions in the way that Janet has. I've known Janet for a long time, and she has always been deeply thoughtful and in addition, an absolute pleasure to work with. So, with that, Madam Secretary, we are honored and delighted to have you with us, and we look forward to your remarks. The podium is yours.

MS. YELLEN: Well, I'd like to thank The Hamilton Project and The Hutchins Center for hosting this important conference. I'm especially honored to participate in today's event with former Treasury Secretary, Bob Rubin, and I congratulate the authors of The Volume on Recession Remedies for assembling a thoughtful collection of essays.

This book is a useful guide for policymakers preparing to address future economic challenges. Like many of the scholars engaged in this two-day event, I'm no stranger to business cycles. My career id spanned three years at the Council of Economic Advisors and almost two decades in the Federal Reserve. And over this period, the U.S. has experienced seven recessions varying in origin from a financial crisis to the bursting of the tech bubble to a global pandemic.

Beginning in the mid-1980s, economists observed what they called the great moderation. Many hypothesized that a combination of structural economic changes coupled with monetary policy innovations had permanently dampened the business cycle. Unfortunately, the financial crisis of 2008 and the ensuing Great Recession dashed that hope. Economies simply remained vulnerable to major shocks. Most recently, the global pandemic and now Russia's invasion of Ukraine, underscore the likelihood of large economic shocks and disruptions that must be addressed. Downturns are likely to continue to challenge the economy.

Recessions exact heavy tolls. For example, the average output loss during the last seven recessions amounts to roughly 3.2 percent of GDP. Excess unemployment which is unemployment in excess of the estimated natural rate during the ensuing recoveries averaged about four and a half percentage points. Moreover, deep and long-lasting recessions appeared to permanently lower the path of potential output. Thus, entirely appropriately, policymakers typically seek to mitigate these costs by implementing policies designed to ignite a quick and strong recovery. And that is one of the most important responsibilities of policymakers and has been a central focus of the Biden Administration since the outset.

Accordingly, my remarks today will focus on the current recovery, and I will highlight some lessons learned for recovering from future recessions. A first observation is that conditional on the inevitability of large negative shocks, countries will fare better if their economies are more resilient and less fragile. Research that deepens our understanding of the transmission channels of disruptive shocks can improve resilience. Improved understanding of breaks and supply chains, increases in commodity prices, bursting of asset bubbles, and labor and productivity shocks can help policymakers implement reforms to bolster our economic resilience.

To take one example, a wealth of research preceding the financial crisis of 2008, but not sufficiently appreciated at that time, has now given policymakers a much better understanding of the linkages between financial markets in the role of economy. It explains how risk to financial stability emerge and how policymakers can monitor the economy to detect growing threats in real time. Importantly, it explores financial regulations that are needed to diminish financial stability risks.

In the aftermath of the 2008 financial crisis, the Dodd-Frank Act mandated new regulations intended to diminish financial sector fragility. Far more stringent capital and liquidity standards were imposed on America's largest and most systemic banks. The effectiveness of these measures was then tested during the pandemic, and they enabled America's banks to weather the pandemic shock while meeting the credit needs of a recovering economy. But the crisis also revealed that significant donor abilities in the non-bank financial sector had not been addressed. And consequently, the Financial Stability Oversight Council and the Biden administration are now working to mitigate these remaining threats.

In recent weeks, energy price movements have been another significant source of global economic shocks. The Biden administration's proposed energy agenda is designed to diminish our reliance on fossil fuels and help achieve greater energy independence. These shifts will mitigate our future vulnerability to oil price shocks. At the same time, they will abet the transition to cleaner energy sources, which will, in due course lessen the risks tied to natural disasters and climate change.

Over the long run, such measures should reduce volatility while also diminishing the depth of future recessions. In addition to improving the resilience of the economy to shocks, it's imperative to build and maintain an effective and efficient set of recession remedies, recovery policies that shorten the duration of recessions and mitigate economic pain. The construction of these recovery policies must be informed by lived experience and rigorous evaluation of prior approaches, including those employed to address the economic devastation of 2020 and the beginning of 2021, which is of course the central focus of this convening.

I will offer some reactions to the newly released volume, and I will suggest some further guiding principles for recovery policy. But let me first pause to reflect on the current recovery and the progress that's been made over the past year and a half.

From historical perspective, it's important to emphasize that we have already witnessed a rapid recovery, buoyed by a substantial government response beginning with the Cares Act, at the start of the pandemic, and continuing with the Consolidated Appropriations Act in late 2020, and the American Rescue Plan enacted in early 2021. These federal fiscal actions were complemented by an unprecedented response by the Federal Reserve, along with relief instituted by national and sub-national governments and central banks abroad. These responses played major roles in igniting a robust recovery.

Notably, the American Rescue Plan played a central role in driving strong growth throughout 2021 with the United States' real GDP growth outpacing other advanced economies and our labor market recovering faster relative to historical experience. Even though Delta and Omicron and now a global supply shock due to Putin's unprovoked actions in Ukraine, the Rescue Plan has allowed our economy to face unknown risks from a position of strength. As we retroactively evaluate the merits of this approach, it's important to keep in mind to keep factors that influence the chosen response.

First, these policies were adopted under conditions of substantial uncertainty. Throughout 2020 and into 2021, the path of the pandemic, including its severity and the role of future viral strains, could not be predicted. Given this uncertainty, the recovery packages sought to protect against tail risk. They were not just tailored to address the median outcome. And looking to clear the tail risk in 2020 and 2021 was a downturn that could match the Great Depression. It's fairly easy to evaluate policies exposed, but it's important to remember the dire economic projections that prevailed throughout the early days of the pandemic.

In a survey conducted in the Spring of 2020, 37 percent of small business owners expected to be closed by year's end. Zillow's baseline scenario for the housing market, which is 60 percent declining sales with no price appreciation across 2020 and most of 2021. In mid-2020, the Congressional Budget Office projected that the unemployment rate would average 9.3 percent over 2021. And even in early 2021, the labor market recovery had stalled, and the blue-chip consensus projected years of elevated unemployment. These were not worst-case scenarios, but rather baseline projections until risk scenarios were much worse.

Second, the scars from the Great Recession were still quite fresh. Less than a decade earlier, the United States had lived through an extended and oftentimes slow economic recovery in which Americans became detached from the labor market, lost homes on mass, entered bankruptcy and debt collection at alarming rates, and endured scarring that would last a lifetime. So, policymakers understood the imperative of exiting the downturn as quickly as possible and ensuring that support reached those workers and households at greatest risk of that scarring. These factors influenced the design of policies that were implemented. Moreover, as this occurred in times of crisis, it's evident that some policy approaches presented significant implementation challenges throughout the pandemic. And these factors highlight the need for reform of our recovery infrastructure.

In this vein, the Hamilton and Hutchins Volume seeks to learn from recent experience and identify key lessons for policymakers. It's an important effort, and there are many critical lessons to be gleaned from these studies. I'd like to highlight a handful points that I consider particularly salient.

Ganong, Green, Pascal, Sullivan, and Vavra argue that unemployment insurance modernization is critical, and I strongly agree. In their words, the trade-off between speed and accuracy does not have to exist. And in that regard, recent actions taken by the Labor Department to modernize unemployment insurance by preventing fraud, improving access and reducing backlogs represents meaningful progress and are key steps.

Gilman and Stevens helpfully explained that stimulus payments can be an effective mechanism for injecting cash into the economy quickly, but that we must also continue to study the interplay between cash support and the social safety net. The authors note, for example, there was long delays in the receipt of unemployment insurance and significant earnings losses even for workers who retained employment. Rapid receipt of cash assistance served as a partial offset. But better understanding of these interactions will help us pinpoint when and how cash assistance should be delivered.

Willen, Gerardi and Lambie-Hanson rightly assess that mortgage forbearance relief was a successful element of the relief effort and a promising approach in future recovery packages although it was neither costless nor a panacea. Throughout the pandemic, the combination of forbearance relief and support from Treasury’s Homeownership Assistance Fund has provided an important tool to preserve housing stability for American homeowners at risk.

Following Goodman and Wachter, the crisis has exposed the need for a more permanent rental safety net. Housing stability is a foremost concern, not just in downturns but in recoveries as well. And during this crisis, Treasury was at the forefront of establishing for the first time a national effort at scale for rental assistance. Emergency rental assistance has not only helped to keep evictions below their pre-pandemic levels. It also enabled states and localities to build an infrastructure for rental assistance going forward.

Finally, Azier and Persico surmise that rapid and sizable policy response will have long-term payoffs in terms of child outcomes, including nutrition, health, and academic achievement. And indeed, I predict that researchers will establish that the Biden administration's expanded child tax credit increased childhood well-being during this crisis.

The preceding lessons come from interventions associated with the 2020 recession. There are also general lessons from the pandemic experience and from past recessions. First, it is imperative to address the specific source of crisis. In 2008, recovery would have been impossible without recapitalizing and restoring confidence in the banking system. In 2020 in contrast, recovery was tied to the progress of the pandemic. Vaccine dissemination has been the most important element of the response. Other crisis will have different origins and it will be critical to address their root cause.

Second, we must consider equity. Downturns are often most destructive for the most vulnerable neighborhoods and populations, and especially communities of color. The American Rescue Plan made sure that funds reached those communities with the most serious damage. That included for example, flexible rental assistance programs that did not exclude the neediest renters because of overly stringent documentation requirements, targeted outreach in a range of languages and state and local funds, investments targeted on communities especially vulnerable to the pandemic.

Third, effective automatic stabilizers called workhorse anti-recession programs in the 2019 book, Recession Ready. This is perhaps the most important policy tools, which is why President Biden proposed them in his original Rescue Plan proposal. Every recession in recent decades has reinforced a need for a flexible automatic response. Well-designed automatic stabilizers are the best remedy. Preparing for the next recession means not only improving existing stabilizers but expanding their reach to other forms of social support and building the pipes to distribute relief in a timely manner.

Fourth, it's necessary to preserve attachment to the labor force in an economic downturn. It's a hangover from the Great Recession, the long-term unemployed, and those adequate labor force continue to suffer its scars. Well, we need more work to best target our policy response. In recent years, we've added multiple new policy levers to keep workers on payroll and off of long-term unemployment. And the strength of the American Rescue Plan has no doubt contributed to the record fall in long term unemployment, a strong and positive contrast to the lingering high numbers of long-term unemployed that we saw after the Great Recession.

Fifth, policymakers must support and seek human needs, including housing, health care, and nutrition. Denial of access not only results in immediate suffering, but also has long term consequences as well. Programs like the Biden administration's expanded Child Tax Credit and Economic Impact payments provided umbrella support for these needs. But more targeted in-kind relief can also be an effective tool.

And lastly, we need to invest in measurement oversight and accountability to improve impact. Economists and other researchers need high quality, high frequency data to assess the depth of recessions in real time, and to adequately evaluate the success of policy interventions. The rapid onset of the pandemic recession dramatically highlighted the need for better data. And despite admirable creativity by researchers in 2020 to assess the state of the economy who must invest now in better tools for monitoring.

Similarly, comprehensive oversight and accountability safeguards designed in advance are necessary to ensure that public resources are appropriately deployed. So, in conclusion, I commend the Hamilton Project, the Hutchins Center, and contributing authors to this important volume. Legislation over the past two years, unprecedented in size and scope was informed by a rich literature directed at improving recovery policies. And the pandemics tool would have been much worse if not for policy response informed by careful study. The research and insight presented in this volume will help guide America through future recessions. So, on behalf of the millions of Americans whose lives will be affected, I thank you. (Applause)

MR. FURMAN: Great. So, we have two panels today. The first one, we're going to try to focus on the policy issues. The second panel is going to try to focus on the implementation issues, of course, they'll bleed over across each other. And part of our goal today is really to be more cross-cutting than yesterday. Yesterday were the authors talking about their chapters, the particular findings they had. Today, we want to draw links across different policy domains as well as talk about what's relevant from this experience for what might happen in the future.

So, Valerie, I want to start with you just sort of broad-based question. Did we get help to the right people, you know, who was left out, and what do we need to do differently next time? What should we be repeating? Anything about people?

MS. WILSON: Sure. So, first of all, thank you for the opportunity to join you all today for this panel and thank you for pulling together this very important volume that I'm sure will be useful for those making policy moving forward.

I think that the easy answer or the quick answer to that question, yes, I think we did get the response right. I think that the interventions were made at the scale of the problem and there was an attempt to clearly address or plug all holes. There were income supports that were included there that included unemployment insurance, the child tax credits, the economic impact payments, as well as attempts to address the food insecurity, housing instability, small business shortfalls, as well as state and local government funding. So, I think the broad-based approach and the scale of intervention work were completely appropriate. I think there's evidence at the effectiveness of that based on the 2020 supplemental poverty measure, and we can see that there were a significant number of people kept out of poverty by those programs second to Social Security, which is typically at the top of the list, followed by the economic impact payments, unemployment insurance, the refundable tax credits and Snap. And combined, those kept tens of millions of people out of poverty. So, that's clearly an important impact.

We're also on pace to recover from this recession about eight years sooner than we recovered from the Great Recession so that's a clear market impact there as well. And that pace of recovery, that much faster recovery is true across all demographic groups. That being said, we do still see some differences across communities based on how people were positioned, largely leading into or before the pandemic. I also add that the rapid pace of recovery in the interventions that made that possible are especially important in black and brown communities. The black unemployment rate is typically twice the white unemployment rate. The Hispanic unemployment rate is also significantly higher, and so those communities typically enter recessions at much higher rates of unemployment and the duration of unemployment, the duration of recession has a much harsher impact on in those communities in terms of their ability to maintain their economic stability. So, the rapid pace of recovery has helped address some of those.

I'll talk a bit about some of the pre-existing inequalities that may have limited the effectiveness of some of those things. One, being the delays in getting a lot of the benefits to low-income households. Secretary Yellen alluded to that earlier. A lot of that was just due to differences in tax filing status. Some communities are more likely to be unbanked than others, so it's harder to get those things to them quickly through the direct deposits and other things like that. Also, I think there have been some disappointing results in terms of the state and local funding in particular. States and localities have been slow and are reluctant to spend that money on hiring people, and we know that women and women of color in particular are disproportionately more likely to be employed in public sector at the state and local level in particular.

And the other thing I'll just mention quickly. In terms of the rental assistance, there was also slow distribution of that. So again, some of those families who are most likely to be impacted did not get the help as quickly as others. Again, all of those things being said, those are structural factors that I think need to be addressed, whether we're in a recession or not, and that will make any intervention be much more equitable and much more impactful across different communities.

MR. FURMAN: Great. Thank you so much. Sandy, I have the same question for you, but strike and replace people with small businesses. What were -- what didn't, no, what turned out differently than what you might have thought? What does it mean for next time?

MR. BARUAH: Great, Jason, thanks so much. First of all, excuse me, I want to congratulate the Hutchins Center on a really terrific and comprehensive report. And sorry, I'm not able to be there in person today. We can thank our friend COVID. And also, I did not get the no time memo. I would have been certain that Secretary Rubin would have been a tie this morning. So sorry about that.

So, listen, you know the response of the more targeted -- this response was certainly more targeted at the front line of the economy than the Great Recession was. And it really kind of proves that all learning is not lost in Washington. This was a strong and swift response with this direct learning from the Great Recession. And the risk I feel is that if the lesson that we all learned, the policymakers learn, coming out of the Great Recession was that we did too little and we undershot the crisis. The lesson coming out of this one is, I fear that we may have done too much, and we all seem to, you know, always be fighting kind of the last war. I fear that this might be a reason for policymakers to undershoot the next crisis based on what happened at this time around.

I know today's discussion was going to discuss at least in part, you know, the fraud that we saw in some of the programs that were targeted to both businesses and individuals. And, you know, and that's where I think this report can be really, really helpful if we did. You know, having run two federal agencies back in the Stone Age before we had invented electricity, I do want to take a moment to celebrate what the federal government did right. I mean, we moved incredibly quickly in a crisis situation that was unprecedented. And it didn't have to be this way given the disfunction that Congress is these days, and sadly, as someone who started their career on the Hill, it's very distressing, I mean, I will echo Secretary Rubin's comments about it's getting dangerous. But it's almost surprising that things work as well as they did. And I think it's important that we all kind of take a moment that despite some of the challenges, despite some of the missed opportunities, despite some of the misdirected funds, including fraud, that we celebrate that we did, you know, that the Congress and both the Trump and Biden administrations did as well as they did in unprecedented circumstances.

But I want to stress, as we look at, you know, policy solutions, that is the focus of today's discussion that the federal government is a blunt instrument. And I think it's important for all of us and for policymakers, or for academics, or for practitioners that, you know, the federal government is not a scalpel. It is often asked to be a scalpel, but it's just not built for that. You know not to mix metaphors, but, you know, let's not expect, you know, this very large and uncoordinated elephant that is the federal government to dance very well and to be nimble enough, that to be nimble as much as we would all like it to be.

And finally, I'll just mention the PPP program because I was obviously the program that matters the most to businesses of all sizes. And, you know, first of all, let me just start out with -- I think the PPP program was really poorly named as we look back at it in hindsight. It really should have been the BSA, the Business Survival Act. Of course, that is a politically unpalatable title, but that's really what it did.

It really, now that we look back on it, it really didn’t, it made very little sense. To offer a program to businesses that initially had very uncertain forgiveness rules to businesses that had to close up shop, either because that was the dynamics of, you know, what was happening in their industry in terms of customer base or that local governments and state governments told them to close up, and they have very little need for employees to begin with. And all this was for a crisis of undetermined duration. So, it was very difficult for businesses really of all sizes to say, I'm not sure that I wanted to commit, you know, this potentially loan money that I might have to pay back for employees that I don't need for a crisis that I don't know how long it's going to take for it to be resolved. So, business owner after business owner came to organizations like ours and others, you know, just saying what do I do because it was uncertain. But I will say as I close these opening remarks that I'm very glad that the PPP turned into the business survival life because I think it was political for the speed of the recovery that we are all now witnessing. You know, had those businesses not survived, you know, the first, you know, be it three months, six months or a year of the pandemic, depending on what kind of business they are, we would not have the economic recovery that we have.

So, despite the challenges, despite the kind of the, you know, the elegance of kind of shoving a model airplane to a mail slot that the PPP initially was, I think at the end of the day, it did far more good than it did harm. But I am looking forward to this discussion to see how we can make it better and hopefully policymakers will heed this report. So, I'll leave it at that, Jason.

MR. FURMAN: Great. Thank you. And so, Louise was a key person in an earlier project that helped inspire this one, which was the Hutchins Center looking at the lessons that were learned from the response to the financial crisis. And people wonder, you know, what's the point of the work and think tanks, all these policy papers you put up on shelves? That volume was so successful that not a single one of the mistakes from the last crisis was made in this one. Instead, we made a brand-new set of mistakes. Louise, this volume is about a very different type of reception, one that was on purpose. The government wanted fewer people working. They wanted less economic activity. What ways did that complicate in trying to draw lessons from this? What ways or is there continuity between this and the next one?

MR. SHEINER: Yeah, it’s a great question. So, I think that is one of the fundamental challenges is that this recession was so different from most economic recessions that we've seen. And so, we wanted our authors all to grapple with the question of let's -- we can't just look at the economic outcome and say, well, we did all these things, the recovery was quick and so therefore the policies work. We really need to sit down and decide, one, to what extent are the economic outcomes that we observe related to the policies, that were enacted, and two, to what extent were the reactions to those policies applicable to non-pandemic recessions?

And this was really, really important because what we wanted is the policymakers to learn the correct lessons from this pandemic. And just as importantly, not to learn the wrong lessons, right? And so, we really needed to sort of disentangle that and let me give you yep examples. One where we wanna make sure they don't learn the wrong lessons and one where we wanna make sure they do learn the right lessons.

So, I wrote the chapter on state local. The state local sector during this pandemic was affected quite differently than previous recessions. Despite worries at the beginning of the pandemic that revenues were going to plummet, state local revenues over the course of the two years actually did just fine, kind of very similar to what had been expected beforehand. Why was that? So, a lot of that is about the specific nature of that pandemic and about the fiscal response to it.

So, I think the very rapid recovery that we observed starting in the Summer in 2020 was really about the type of this recession was different. It was more like a natural disaster. So, the economy shut the economy down and then somehow, we figured out how to reopen most of the economy, so we got a very big recovery. And so that meant that any projections of tax revenues that were based on this very pessimistic outlook that Secretary Yellen talked about at the beginning we're wrong. Right so, the economic recovery was better, so the tax revenues were better.

In addition, and very related to it, we had this very strong fiscal response. And so one of the things that comes out in this chapter is when you think about what the fiscal response is, you know we can think about aid to state local governments that when the government had very generous UI when it sent checks to people, when it sent checks to businesses, that all supported the economy. When you support the economy, you are supporting indirectly the state local sector. So, if people have money to spend then that meant that sales tax revenues didn’t decline as much, right?

So, these two factors were really responsible for the fact that revenues sort of stayed quite healthy as opposed to previous downturns. Now, revenue statewide healthy and the federal government gave state local sector a lot of money, close to a trillion dollars, which is about 30 percent of one year state local expenditures.

So, they had healthy revenues and a lot of aid and yet employment in the state local sector fell briskly in the Spring of 2020 and it never fully recovered. It remains one of the laggards in terms of the employment, and employment, as Valerie mentioned, remains more than three and a half percent below the level before the pandemic, right?

So, you wanna really be careful so you want people, you might say, oh, look, here's the lesson. State local governments don't lose revenue during recessions. And if you give them money, they don't increase employment. That's not the right lesson. And this chapter really goes through it. I explained why the revenue picture was so different, and in most recessions state local governments still lose revenue. And because they have balanced budget requirements, they do have to cut spending, which is not good for the macro economy, it's not good for people.

Why did employment fall so much and not recover? And so, I try to untangle that in the chapter and some of it had to do with the uncertainties about budget conditions at the beginning. And so, we have sort of lessons about how you might want to structure aid to prevent state local governments from being uncertain so if they know that aid is forthcoming, if economic conditions are bad, that will help.

But I think a lot of it had more to do with COVID itself, so employment was responsive to things like, you know, you didn't need bus drivers or cafeteria workers. If your offices were closed or they're only open partially, you know, that reduced the need for employment. And if you were just in the stress state, you weren't doing a lot of hiring. So, one of the things that I note in the chapter is that the states that sort of cared more about COVID were more responsive to COVID in general as measured by vaccination rates, for example, are ones where the state and local sector employment was lower throughout a deeper fall instead and recovered much lower.

And so, I think it's very important to recognize that a lot of things that happened in the state local center were very COVID specific. And we shouldn't forget the lesson of the Great Recession, which is that in most downturns, state local governments will need aid. You should make that, you know, automatic if you can and that will help prevent employment losses.

Let me take you to another example where I think we really should keep the lessons of the pandemic. And that is the expansions of UI. So, one of the most innovative policies that we did during this pandemic was to really change the UI system. We all knew before the pandemic that our UI system or unemployment insurance system was really not sort of fulfilling its mission of appropriate social insurance. Too many people, particularly people, low-income people, people who marginally attached to workers didn't even get UI or were eligible for UI either they were -- didn't have a longer earnings history and then of course, gig workers were ineligible.

And replacement rates were very low, the share of money that you got replaced when you became unemployed. So, what do we do? In this expansion, we won expanded eligibility to people, to gig workers, to people with lower earnings history. We made it much easier to get UI and we raised the generosity of UI.

So, the book goes through very carefully, so what were the outcomes of that? One, the people who got UI spent the money, they needed the money, so it was really effective social insurance. And two, I think the most important thing, what sort of what might have prevented us from thinking we could do something like this, was worried about incentive effects.

And so, the book goes through very carefully what were the incentive effects in terms of people saying, well, I, my UI is so generous. I'm not going to go take my old job back or I'm not going to look for a job. And there were signs of disincentive effects from UI, but they were a lot smaller than what many people would have predicted.

And that was true early in the pandemic, when it was hard to get a job so you might say, well, of course it didn't really matter if you look for a job, you're not going to get one anyhow. But it was also true later in the pandemic when labor demand was quite high, the disincentive effects were still quite small.

So, I think the lesson that we learned from this experience is that you know we did something different, and we saw things that we were not expecting, and it says that we can do a better job with our unemployment insurance. We can make it more generous. We can make it easier to access. We may not do exactly as we did at this time, which was what I've done on the fly, but still, I think there is an important lesson. So, I mean, that's the book tries to grapple within each and every sector to what extent is what happened about the pandemic and to what extent is it about something that is expected to recur. It's all in there.

MR. FURMAN: Great. And you know, Wendy, to some degree I would think question for you which is, you know, what policies would you repeat? What policies would you think we, you know, may have made sense in retrospect but don't make sense the next time, and what's the policy agenda for next recession? I think a lot of it though you may just wanna repeat what Louise just said so I will add a second part to it, which is one of the lessons we drew in our chapter was that you can do things that are too large. You can make a mistake in that direction and just want to understand what the consequences of that mistake are, you know, a lot of discussion of inflation. Is it just inflation? Is it other things? Why do you ever need to worry, you know, about those directions? So, take it whichever way you want. Repeat Louise or answer a new question.

MS. EDELBERG: Okay, and first, I wanna apologize on behalf of nature for the fly that keeps circulating.

MR. FURMAN: It’s just so hasn’t had an in-person event in so long.

(Laugher)

MS. EDELBERG: I know. So, I think the most critical lesson that I hope policymakers take from the experience of the past two years is that a speedy and robust response can protect households from the worst implications of an economic downturn. What we did in March 2020 was extraordinary and it protected millions of households from economic calamity and in fact, we saw poverty rates decline in 2020 and likely in 2021. And so, I very much hope that policymakers don't unlearn that lesson in the next recession.

We don't need to take it just as an inevitability that an economic downturn causes devastation for financially vulnerable households. So that's number one. The second, and I think we knew this, but it was, you know, very evident by a really robust fiscal response, is that a strong fiscal response can do a lot to aid in economic recovery. Now, as you say, it can do too much and so let me pause there and talk about that.

I think the question that's sometimes posed to me in light of how much inflation we have and the very strong aggregate demand, consumer demand that we've seen, you know, that we saw particularly like, in the middle part of 2021 that our economy just couldn't possibly contend with without inflationary pressures.

So, I’m asked the question, well, would you have preferred we have done much too little?

And I think that's a false choice, because I think the better question is, would you have preferred that we had done a lot but somewhat less? And I think the answer to that is yes. Some of that is -- was clear at the time, particularly in March of 2021 and some of those only cleared at least to me in retrospect.

I think it was, you know, a lot of observers, including work that Louise and I did around, you know, in early 2021, a lot of observers noted that what the fiscal support in that, you know, the, like the third round of fiscal support was going to do was push the economy above its sustainable pace. And so, we were going to be in for slowing and slowings are hard and so that it created a risk of a hard landing. And, you know, it was inflationary pressures were, you know, I thought at the time, if this doesn't cause inflation then we need to throw out our models.

And there were a lot, so but to be clear, there were a lot of things I didn't predict. And I certainly didn't predict the extraordinary inflationary response that the pressures that we've seen. So, I think we did too much, but the good news is, we can do a much better job of calibrating he size and the timing of a fiscal response in the future.

There are tools that we can be using that we did not deploy. You know, Janet Yellen, Secretary Yellen talked about automatic stabilizers and making automatic stabilizers more robust. That is a lesson that, you know, many of us knew long before the financial crisis, long before the pandemic, and yet again, here we are saying automatic stabilizers are a much more effective way of getting the right amount of help to an economy, and, you know, in distress, and the right timing of help to an economy.

I mean in, and it was very frustrating that the fiscal support is indeed that was passed, you know, early in the pandemic just had abrupt arbitrary cutoffs that left households an alert in Fall of 2020. So, even the places where I would give fiscal policy a very high grade like we absolutely could have done better by incorporating more of just automatic responsiveness of policy.

But again, there's good news here, which is that we actually do know how to do this. We just have to do the hard work of implementing it, which now comes to, okay what, how do we want to implement things going forward? So, Louise touched on what we know about how we want to improve the unemployment insurance system.

I actually do think we learned a lot about how to help the business sector. I think you know as the book walks through the Paycheck Protection Program, which Sandy talked about, probably did a fair amount for small businesses that otherwise had no access to capital markets and really needed a bridge to get them from the start of the pandemic to later when demand came back and businesses open. But larger businesses probably already had access to credit markets and frankly had pretty healthy balance sheets going into the crisis.

So, I think going forward we need to be a lot more targeted about how we support the business sector. But indeed, I think we need to be a lot more targeted in general. So, what we learned, and this was actually one of my biggest takeaways from working on this volume is that if we have sufficiently generous, that word makes it sound like there's like, some, like, kindliness behind it, but it's just good policy. If we have sufficiently generous income support for people who are, you know, negatively affected in the midst of a recession, then it means we can do a whole lot less for targeted help for different sectors.

So, one of the reasons that the business sector did well, that the housing sector did better than you might have expected, that the state and local governments did better than you might have expected was because of the enormous income support that we did. And so, what that means is, yes, to income support and then you will probably have to do other things, but we need to make those things targeted. And if we're going to make them targeted and do them well, we need more data and we need the infrastructure to be able to stand up programs quickly. So, there's a lot of work to be done urgently now for policymakers, you know, fixing the roof while the sun shines.

MR. FURMAN: Great. Now, do we collect questions, how does, I forget you guys are going to ask this question. No, no, I know that I know. Okay, great. So, there's questions that will be collected eventually. So, we're going to do a fast, no, I know we're going to do another faster round now. fast now. I know, we're going to do it fast around now.

Valerie, I want to ask about the paths not taken.

In 2020, there was an argument that the United States should do job retention, that we were choosing mass unemployment. If you look at what happened in Europe, they didn't lose as many jobs. Their employment rate recovered faster than it did here. Is that something, you know, we should be considering as an alternative to unemployment insurance, having people continue to be paid through their employer? Do you think, do you have any idea if it worked there, if it would make sense in the future here or just different model to UI?

MS. WILSON: Yes, I mean, I think it's definitely an option that should be considered. You know, there have been proposals or recommendations for a federal jobs guarantee as something that should be in place regardless again because of the structural inequalities in terms of disparities and unemployment by race and ethnicity that something like that could help to address that longer-term broader structural issues of disparate rates of unemployment and help to address income loss due to unemployment.

I also think that, you know, it's probably just easier to not lose a job than it is to lose one and then get generous support to help find another one. I think that, you know, in order to maintain that level of income and just to maintain some level of stability that that is a strong, important option.

That being the case, I agree with Wendy that we can do a lot with the unemployment insurance program to make it an automatic stabilizer, that we don't have to wait for some decision to expand eligibility for the program for a period of time, and I think expanded eligibility should be something that's permanent also. And that the sort of ramping down of the benefits should be tied to a metric, and that is a good indicator of sort of where we are in the recovery. So, I guess the answer is yes. I think both of those things are strong options and should be considered moving forward not just for a recession but at any point in the economy so that we don't continue to have these huge swings that are especially damaging in low-income communities.

MR. FURMAN: Great. Thank you. Sandy, I have a similar question for you also. I mean one is, you know, is there something that we need to be setting up in advance that is ready for things in the future? And second, do you think businesses should essentially pay for that in advance if we have some form of pandemic insurance that pays for the next time, we force businesses to shut down the pandemic, should they be paying premiums for that now?

MR. BARUAH: Yeah, so businesses obviously already pay a premium for unemployment insurance. You know, as someone who represents the business community, I don't wanna go too far on the limb here, but certainly that's something that can and should be considered.

I do want to expand a little bit on Valerie's really insightful comments. You know what I would say is when, you know, every recession or every, you know, change in our economy drives changes to how businesses run and adapt moving forward. And I think this particular crisis that the pandemic really showed that, you know, businesses made fundamental changes to how they operate. Some of them, you know, make even changes to what they do, let alone just how they operate. And I think that's really important to think about as we, you know, debate potential policies like what the PPP was originally designed to do to keep employees on employer payrolls even though businesses might be changing and the markets around them might be changing.

You know, one, we have a challenge, you know, unlike Canada and some European countries, you know, our electronic connectivity to businesses, you know, through the Treasury Department is not strong. That's definitely something that we need to invest in and is definitely a lesson learned so that can be a much more seamless process regardless what kind of supports are given to the business community in the next crisis.

But keeping them on, keeping employees on employer payroll does worry me a bit because, you know, then, you know, you're almost locking in employees with employers during a time when the markets are changing, and the businesses need to change. And, you know, as we've seen, you know, businesses have had to adapt, not just what they do, how they do it, but who they have on their payrolls to do it. So, in my book, you know, it is more efficient and allows more flexibility to have the more robust unemployment insurance for those employees who are affected.

I do agree with Valerie that we have to be really intentional when it comes to dealing with underserved communities, that's both individuals and businesses. I think one of the challenges that we had with the PPP that we need to be much more intentional about moving forward is that, you know, so often, you know you get what you measure. And we did not measure, we did not get the data around who these businesses were in terms of their demographics. And if we don't collect that kind of data, if we're not intentional but by saying, you know, we have certain tranches for, you know, rural businesses, you know, for inner city businesses, for small businesses, even for nonprofits, we're just not going to get those results. You know, the Biden administration made some really smart moves, you know, once they took over to kind of reshape the PPP. But those things should have been done at the beginning in a perfect world.

MR. FURMAN: Great, thanks. And I do think a big consideration in any of these is how much you are trying to freeze the economy and then restart the same economy you had, which was the initial goal here when we thought this would be shorter versus how much do you wanna facilitate reallocation, which is a lot of what happens in most recessions, and is part of what they're about.

Louise, I want to go back to you. You made a compelling argument that state and local finances were actually in pretty good shape that states didn't need to get as much money as they got. So, my follow up question is just, so what? You know that states are doing wonderful things with the money. Yesterday I read an article about them spending their stimulus funds on pickleball courts. So, what's wrong?

MS. SHEINERR: Well, so, you know, I think a couple things are wrong. One, the downside in some sense of them getting so much money is that the money wasn't right sized. It wasn't a policy that sort of depended on economic condition. If we had a policy that was more automatic, that depends on economic conditions, that one would have led them to get less money because as the economy turned out stronger, they would have less money. And it would have meant that at the beginning of the recession, it provided insurance to state local governments, right, and state locals are really, really risk-averse. And so, I think, that sort of, like, the downside of giving them so much money is that the policy wasn't right.

But then let's, like, say what about the, we did too much. So, I think there's sort of two points there. A lot of what Wendy was talking about what your chapter talks about in terms of we did too much is the worry that when you give too much money, you lead to inflation, right?

I don’t think the state and local sector is really a place where that happened because the spending of the money that we gave them appears to be extremely slow, right? We don't have great data on it, but it appears to be extremely slow, so I don't think the surge in demand that's leading to higher prices is mostly because we gave state local governments too much. I think it's more about households.

So, then the question is, okay, so you know what's the downside? And then as you point out, it depends on what they do at the money, right? You know, you might have an example here and there, but I don't think we know. We don't know if they're going to end up spending the money, you know, on remedial education, which a lot of the K-12 money is really intended to be for, with students suffered great learning losses, you know, state and local governments, if they end up using the money for that, that would be great.

I mean, I do think that one of the very interesting things that came out during the pandemic watching state and local responses is something that I heard over and over again is that states were very worried about using one-time federal money for ongoing expenditures or even expenditures for which they would then demand after that money ran out. So, you heard things like if I hire extra tutors to make up for learning losses, well, once that federal money runs out, the parents, they’re still getting demand for this extra tutors and smaller class sizes. And so, they're really worried about doing that. And so, you hear stories about they're looking to do HVAC, which would be, great, improving their ventilation. So again, we gave them more money than they needed. You know, is it a good thing or a bad thing? You know, it depends on what they use the money for, but it wasn't really necessarily a recession response. And so, we'll see, the jury’s still out.

MR. FURMAN: Great. And I'm going to actually go even though it’s in the round, straight into the question, some of the questions because they fit right in. We’ll try to do lightning round and get as many of them in as possible. or try to do right thing around possible.

Wendy, and if anyone else wants to answer,

When did anyone else wants to answer, it’s okay, but I’ll try to direct them to one person. Wendy, if you could build a time machine, go back and prophetically warn people about the inflation, what would you have told them to do differently? It does say time machine, by the way, though.

MS. EDELBERG: So, I think, here's where I was most surprised by the economic effects of the fiscal support is that when and so I'm really going to focus on my comments on where, on the fiscal support that was put into place in, you know maybe at the end of 2021, at the end of 2020, and March of 2021. So, I'm not going to think so much about the CARES Act.

Where I got things wrong is I thought there was a chance that the pandemic would just be over and it would be like a light switch and in which case I actually thought we would have, you know, an enormous surge in spending, and a lot of this fiscal support would actually be spent very quickly. And then I worried actually more about a hard landing with the just taking, us taking, you know, a massive rollercoaster ride.

But on the flip side I thought, well, if the pandemic stays with us for longer than I thought that that would actually be a dampening effect on spending. I thought it would be a damping effect on people returning back to work for sure, but that wasn't such a concern in terms of the aggregate economic effects of creating mismatches in the economy, because of course, then I thought the marginal propensities to consume under that fiscal support would also be lower.

If I had a time machine, I would go back and say, even if the pandemic stays salient for people and affects how much they want to participate in the labor force or whether -- this is not lighting round, sorry -- or whether or not -- I can tell from his body language – or whether or not they only wanted to spend on goods and not on services, they're still going to spend a lot.

And so, what I would have said is make some money more automatically tied to the state of the economy in size but slow it down. For Pete's sake, slow it down. And so, I would have had the fiscal support be much slower and then it could have been better targeted to, you know, how the economy is going to unfold in the midst of the pandemic.

MR. FURMAN: Great. A lot of people are impatient to get the implementation panel started so they sent implementation questions in already. Valerie for you, it's on the UI infrastructure. What might have been different about the recession if that infrastructure had been better before it hit.

MS. WILSON: Well, you know, I think again, it probably would have helped tremendously in terms of the timing and the speed with which people were able to get access to their benefits if we, you know, remember back to March, April 2020 and the long lines that we saw on the news and in newspapers and all of the complications of people calling numbers that didn't work and just not being able to get access to those benefits quickly.

I think, you know, a more modernized system would have addressed, I think a more modernized would have also helped to avoid a lot of the fraud that happened, in terms of, you know, people filing false claims. Also, in talking about it being in an expanded eligibility, I think you know that's something that would be important to have in place regardless because the economy is changing, the way that people at work is changing. So, I think it's important that we cover more of the workforce than less as we, you know, go into and come out of recession.

MR. FURMAN: Great and perfectly timed as well. So Sandy, a real model Valerie just set for you, what were the biggest challenges businesses in your region faced when accessing fiscal support and you want to add particularly some of the concerns that some of the smallest run, by most vulnerable people, businesses had a hard time getting PTT support on through banks.

MR. BARUAH: Sure. So quickly one, just building on Wendy's answer. If I had a time machine, I would have had the Federal Reserve start raising interest rates a lot sooner, probably back to 2019. I think they probably would, for businesses that was underserved was not having banking relationships, not having the resources to have good financial records, not having access to basic accounting help, and not having a kind of e-banking and electronic records ready to go. Those were the key factors that led so many, especially small businesses, particularly in a city like Detroit, that are primarily owned by persons of color who have, you know, very, very low thresholds for survivability. So, I would, that definitely something that was a real miss.

MR. FURMAN: Great. Louise, any moral hazard dangers of states and localities becoming more dependent on federal support, expecting it and doing worse things in their budget as a result of that?

MS. SHEINER: Yeah, that's a good question. It's hard to know, I mean, one of the things I worry about is that policymakers will take the wrong lesson and state local aid will be less forthcoming in the future. And so, I'm not sure whether or not state law, you know, that'll be up to the judgment of state local governments, whether or not they think now that they can count on it.

But sure, you know, if you want state and local governments to prepare a little bit more for downturns, then can you imagine they would have somewhat smaller rainy-day funds, that's a possibility. But you know, I think I'm not overly worried about that. I think the right thing for government to do in recessions to spend more money, state local governments and institutions have institutions that don't allow them to do that. I don't think rainy day funds are necessarily what they need to be doing totally. I think sort of, you know, the federal government coming in with deficit financing during recessions is fine. So, I'm not too worried about that, too much of it being switched over to the federal government, but we'll see, anyhow, how they respond.

MR. FURRMAN: Okay. I have a question for Wendy, but first I want to ask a question to all of you with a show of hands. Raise your hand if you think we should have better automatic stabilizers. Raise your hand if you think we should have worse automatically. Okay, so in this room there seems to be a majority for better automatic stabilizers instead of worse. And that rules out one of the answers to this question which is, what is the main political obstacle to enacting automatic stabilizers? I don't think it's people who go to Brookings events, better than main obstacle to that. But we couldn't set them up now, what hope is there in the future? So, I want to start with you, Wendy, but I'm so vexed by this question. If anyone else has an insight would love to hear it.

MS. EDELBERG: I think there are two real obstacles and, like, can't just be waved away. One is when you think about how much they'll cost, they -- you have to put some positive way, like, if we were to pass some policy now, where, you know, you would make if in the midst of a downturn, you would make spending much larger and taxes much lower. If you were to try to pass that policy now and think about how much it will cost, you have to put some positive weight on a horrendously bad downturn in assessing a huge expenditure of money, and a huge reduction in taxes.

And so, the cost of that in today's dollars, because you're putting some weight on really bad outcomes, the cost of that in today's dollars is pretty high. And now you can organize automatic stabilizers so that when the economy is really good, you actually reduce spending, you lower taxes, and you increase taxes. But it is hard to pass policies today that, you know, in there when you assess their costs today seem to cost a lot of money, but only has theoretical positive benefits in the future. So that's the first issue and it's a real obstacle.

The second one, which is more, you know, political science, where I'm so, I'm going to be, you know, really outside my area of expertise, but I've witnessed this, is that policymakers don't particularly like their time on their own hands. So even if it's for the downturn, policymakers just naturally want to act. And they think that they, you know, are most adept at acting in the midst of a downturn. And so, what automatic stabilizers is basically doing is saying to policymakers, don't trust your future selves. And also, your future self is not going to get credit for acting because it was actually your past self that acted, and that's a real issue. And so, no, no, so think it makes perfect sense to me why we don't have a more robust automatic stabilizer system.

MR. FURMAN: Interested in other opinions on this question, and then I'll give you mine which is for what it's worth.

MS. WILSON: I think one of the major barriers is really the second point that you hit upon. I think that politically, policymakers like to be seen as taking action and doing something and having that, you know, effect of saying, okay, we're passing this legislation, we're going to help and save the economy by taking these steps where, you know, something automatic tends to not get noticed, doesn't get a lot of public attention, a lot of fanfare. So, I think, you know, that we can, I'm just outside of my area of expertise as well, but I don't mind saying that, you know, I think that does play into it because I think that some of the other challenges with thinking about how we funded, and, you know, what are the exact measures we're going to use

and how is it going to expand and how is it going to contract? I think those things can be worked out and figured out. I just think it's more of a challenge, especially, you know, given how things are politically now, the division, and there being a willingness to do something that's going to be beneficial without getting the political credit for it.

MR. FURMAN: Sandy or Louise, any different views from that?

MS. SHEINER: I would have given Wendy's answer, so I'm curious about yours.

MS. WILSON: Yeah, what's yours?

MR. FURMAN: No, I agree with the challenges.

MR. BARUAH: Well, actually --

MR. FURMAN: I agree with the challenges.

MS. SHEINER: Oh, Sandy has one.

MS. WILSON: Oh, Sandy.

MR. FURMAN: Oh, sorry, sorry, Sandy.

MR. BARUAH: Yeah. No, no, sorry, just real quickly. I'm going to be a little bit more cynical than Wendy or Valerie. Every issue today is now a political issue that can be used as a political wedge in a campaign. And I say that with great chagrin, but that is what our political system has devolved into. You know, there is very little what is the greater good here?

And, again, that's why I said in my opening remarks that, you know, it didn't have to be this way. I mean, you know, we didn't have to have this robust response that we had in 2020 because it could have very easily gone the other way. So, to ask our current political system and our current political environment to be forward-looking, I wish that were the case, but I just don't see it in reality as someone who, you know, spent a lot of time in the political realm.

MR. FURMAN: Yeah. So, I agree with all the challenges we've heard. I think that's exactly why it's been a challenge. I'm actually surprised that the idea got as far as it did in this last round. And I think being prepared and doing the types of work that is done at places like The Hamilton Project, Hutchins, EPI, and elsewhere makes a difference in that they introduce legislation that put in place a lot of these automatic stabilizers. There was a majority in the House that supported this legislation. There were a lot in the Senate that did. It didn't get all the way there, but it got much, much further than it did in the previous round and it got much, much further because people were prepared and because the type of people in this room had developed and worked out the idea.

So, I think all of the political interests that we're talking about, all of that is incredibly important. But I don't think the type of volume that this is, the type of lessons we're drawing here, whether it's on that topic, unemployment insurance, support for families, support for businesses, support for states and localities, I think that really actually does make a difference, and would encourage all of us to continue to stick with taking those ideas seriously.

So, thanks for this panel. We now have a short break and then we'll go back to implementation. Thanks to all of you. (Applause)

(Recess)

(Video starts)

SPEAKER: This was the worst global pandemic in at least a century and it was an enormous shock to households, to our economy.

SPEAKER: The pandemic was a very different recession than most recessions in two ways. First of all, just the economics of the pandemic were quite different. And secondly, the fiscal response to the recession was completely different than anything we've ever done. It was just much, much bigger.

SPEAKER: The Hamilton Project and the Hutchins Center on Economic Studies at Brookings asked eminent scholars to look at the economic policy responses to the COVID-19 pandemic and to draw lessons that policymakers should consult the next time we have a recession.

SPEAKER: In our chapter we survey mostly the macroeconomic dimensions of the response in terms of the $5 trillion spent on fiscal policy, the Federal Reserve's policy in terms of cutting its interest rates to zero, pumping a lot of money and liquidity into the economy, and also what was done to really prevent the COVID crisis from turning into a financial crisis.

SPEAKER: Output in the U.S. has bounced back faster than it has in other advanced economies. And to a large degree, that is probably because our fiscal policy response was more robust. At the same time, our labor market recovery has been frustratingly weak relative to other countries.

SPEAKER: We were working with the goal of mitigating a recession, but we were also working with this paramount goal of mitigating this public health crisis and containing the spread of COVID-19. And in the context of unemployment insurance, I think that gave policymakers historic license to expand unemployment insurance in dramatic ways relative to what we've ever done before.

SPEAKER: By targeting people who lost their job, we ended up providing disproportionately a lot more relief to low-income workers. The spending impacts were high, precisely because we were hitting just the right people.

SPEAKER: In many cases, they were earning more on unemployment than they were at their prior jobs. That generous supplement did not serve as a large disincentive to find a new job.

SPEAKER: Our chapter looked at the response to the Economic Impact Payments. So, we also found that the checks likely filled in gaps for people who either didn't apply for other benefits or they found their benefits delayed. They spent them within two weeks of receiving them. So, if the goal is to stimulate the economy in a more standard recession, these rebate checks would be a good tool for that.

SPEAKER: The government response in aid to businesses during this recession was also impressive, and if you look at subsidies to businesses, loans that were made available to businesses by the government, and Federal Reserve programs. Business bankruptcies didn't skyrocket. So, one's tempted to think it must have been the Federal Business Aid programs that were responsible. But we want to be a little bit more cautious. Policymakers should not just blindly redeploy the toolkit that they used in the COVID recession.

SPEAKER: We studied how federally provided mortgage programs helped distressed borrowers remain in their homes and avoid damage to their credit scores. We also studied how the

Federal Reserve's monetary policy choices enabled millions of borrowers to refinance their mortgages and save money on their monthly payments.

SPEAKER: The forbearance take-up was very similar across sort of racial-ethnic lines, across the income distribution. And so I think, you know, we conclude that the policy was really effective at kind of ameliorating the stress for all parts and all segments in the market.

SPEAKER: So, we looked at what is going on with the rental market? What we found is that the Economic Impact Payments and unemployment insurance helped renters who lost income during the pandemic. Federal, state, and local eviction moratoriums were very important. They prevented dire outcomes during the pandemic. However, they didn't relieve renters from the obligation to pay past-due rent.

SPEAKER: The state and local sector is a very important sector in the economy, so altogether state and local governments got close to a trillion dollars in aid, which is far higher than they had during the Great Recession, despite the fact that revenue losses were quite a bit lower. So, the chapter looks at revenues and sort of examines the reason why revenues didn't fall nearly so much as people thought.

SPEAKER: Our chapter looked at how the COVID-19 pandemic and recession and also, to some extent, the policy response affected a variety of different domains for child wellbeing. So, we looked at the domains of income, food security, education, health insurance, and childcare. One of our main findings that was providing families with cash and near-cash early on was extremely effective in providing families, working families, with additional resources that they needed to combat issues related to child nutrition, health, et cetera.

SPEAKER: The Federal Government needed to issue a substantial amount of debt very quickly to finance the fiscal response. At the same time, the Federal Reserve in implementing monetary policy was working to keep interest rates low, and that helped facilitate the Treasury's ability to finance that much debt that quickly. I think the most important lesson from our chapter is not actually so much should we do this again? It was actually thinking about trying to maintain the conditions that would allow this to happen again.

SPEAKER: So, we explore a number of different nontraditional datasets and how they were used during the last two years. And we find that they were extremely useful for policymakers and those analyzing the recession. And so, what we've learned is that there are gaps from standard datasets that we need to find ways to fill in and that there are big data out there that are able to fill in those information gaps.

SPEAKER: The economic policy response was enormously successful in 2020 in preventing a financial crisis and a devastating economic crisis. Since then it's had strengths in terms of a rapid recovery, weaknesses in terms of very high inflation, and it will be impossible to fully judge what was done until we see whether we're able to successfully exit and transition out of that policy response.

(Video starts)

SPEAKER: This was the worst global pandemic in at least a century and it was an enormous shock to households, to our economy.

SPEAKER: The pandemic was a very different recession than most recessions in two ways. First of all, just the economics of the pandemic were quite different. And secondly, the fiscal response to the recession was completely different than anything we've ever done. It was just much, much bigger.

SPEAKER: The Hamilton Project and the Hutchins Center on Economic Studies at Brookings asked eminent scholars to look at the economic policy responses to the COVID-19 pandemic and to draw lessons that policymakers should consult the next time we have a recession.

SPEAKER: In our chapter we survey mostly the macroeconomic dimensions of the response in terms of the $5 trillion spent on fiscal policy, the Federal Reserve's policy in terms of cutting its interest rates to zero, pumping a lot of money and liquidity into the economy, and also what was done to really prevent the COVID crisis from turning into a financial crisis.

SPEAKER: Output in the U.S. has bounced back faster than it has in other advanced economies. And to a large degree, that is probably because our fiscal policy response was more robust.

At the same time, our labor market recovery has been frustratingly weak relative to other countries.

SPEAKER: We were working with the goal of mitigating a recession, but we were also working with this paramount goal of mitigating this public health crisis and containing the spread of COVID-19. And in the context of unemployment insurance, I think that gave policymakers historic license to expand unemployment insurance in dramatic ways relative to what we've ever done before.

SPEAKER: By targeting people who lost their job, we ended up providing disproportionately a lot more relief to low-income workers. The spending impacts were high, precisely because we were hitting just the right people.

SPEAKER: In many cases, they were earning more on unemployment than they were at their prior jobs. That generous supplement did not serve as a large disincentive to find a new job.

SPEAKER: Our chapter looked at the response to the Economic Impact Payments. So, we also found that the checks likely filled in gaps for people who either didn't apply for other benefits or they found their benefits delayed. They spent them within two weeks of receiving them. So, if the goal is to stimulate the economy in a more standard recession, these rebate checks would be a good tool for that.

SPEAKER: The government response in aid to businesses during this recession was also impressive, and if you look at subsidies to businesses, loans that were made available to businesses by the government, and Federal Reserve programs. Business bankruptcies didn't skyrocket.

(Video ends.)

MS. MUI: Well, thank you all for coming today to this very robust and informative debate and discussion that we've been having at the Brookings Institution. Thank you so much to The Hamilton Project for hosting this event today. And thank you so much to our guests for joining us to talk about sort of policy administration and implementation as we think about the recession we just went through and how to sort of mitigate the impacts of whatever may come next.

I am joined today by Representative Hakeem Jeffries, chairman of the House Democratic Caucus, as well as Gene Sperling, specific advisory to the President and coordinator for the American

Rescue Plan, and Levar Stoney, the mayor of Richmond, Virginia. Thank you, gentleman, so much for joining me today.

GROUP: Thank you.

MS. MUI: So, I want to start by following up on something that the Treasury Secretary actually said this morning during her remarks here. And she said that one of the key steps to responding to a recession is to address the root cause of the crisis. Obviously, during the pandemic the root cause was the virus. We're now seeing geopolitical instability in Europe because of Russia's invasion of Ukraine. Already we're seeing how that could affect the economy now; the GDP coming in lower than expected, shrinking 1.4 percent.

So, Chairman Jeffries, I'd like to start with you because the White House just this morning put out a request to Congress for $33 billion in funding for Ukraine, also asked Congress to fund $22.5 billion in additional COVID relief. Can Washington come together to get this done and continue to address the root causes of the twin crises we're facing now?

CONGRESSMAN JEFFRIES: Yeah, I think we can come together and we absolutely must come together, particularly as it relates to continuing to be in a position to stand up a public health infrastructure; working through crushing the virus, dealing with the various variants that have come forward and, you know, will likely continue to come forward; and, of course, dealing with the crisis in Ukraine, Putin's war of aggression.

Let me say it's great to be here. I want to thank, you know, Glenn and Roger and Wendy, Secretary Altman, these two very distinguished panelists. They should all get the toughest questions. (Laughter)

But, you know, I think at least in my journey over the last several years, you know, we've found ourselves dealing with one crisis after the next. Certainly that's characterized the Biden administration's tenure over the last 15 or so months. And I think from the very beginning our objectives were really threefold: crush the virus because it was the root cause of the crisis that we confronted, both a public health crisis and a related connected, you know, economic shock to the system, crush the virus;

provide direct relief and assistance to everyday Americans who are struggling, small businesses, state and local governments who provide services to everyday Americans; and then lay the foundation for the most robust economic recovery possible.

And I still think that those are, you know, the guiding principles as we move forward. And certainly, I'm hopeful that we can come together. A response is going to require a bipartisan commitment in the Senate and I'm hopeful that it will be there.

MS. MUI: One of the hang-ups in getting this aid, you know, to move through Congress, as we look forward to sort of the legislative process, will be Republicans who are concerned that there is too much money being spent on COVID relief. They have said that, you know, there should be plenty of leftover money from the American Rescue Plan.

So, Gene, I'd like to see if you could perhaps lay out some facts and foundation for us and explain, you know, just how much money has been spent from the American Rescue Plan, how much has been spoken for, how much is left, and over what period of time.

MR. SPERLING: Well, thank you and I have to also thank not just Wendy and Glenn for this, but, you know, real admiration for Bob Rubin and Roger Altman and Jason and the fact that, you know, I remember when they were building The Hamilton Project, when it was just a concept. I think they would have been pretty proud at that time to see how it sustained, developed, and expanded over these years, as demonstrated by today. So, thank you. So, I just wanted to say that.

Look, I think when you look at the American Rescue Plan, I do -- I'll put it in, you know, a slightly different frame, but consistent, which is I think you have to see it, to me, as having at least kind of dual purpose. One was to provide that emergency relief to take away the risk of being stuck in dark winter. And in this immediate sense, to have a powerful enough recovery that it avoided the long-term scarring that we saw after the Great Recession when those of us there were not able to get Congress to provide additional support. And so, we saw dramatic, persistent long-term unemployment, persistent youth unemployment at 12 percent, which many of the scholars who you would work with have shown to have had very lasting and painful impact on people's lives and not just their earnings. So, that's one goal.

And I think the second goal is to make sure that we had an enduring recovery. And by enduring I mean that you had enough cushion, insurance policy, to deal with the known unknowns and the unknown unknowns. And I think, again, after the Great Recession, you know, people forget that we dealt with the higher gas prices from the Arab Spring, the global supply shock from Fukushima at the time, issues on the debt limit. And we did not -- we were a bit helpless. And what that meant was, one, from a macroeconomic perspective, we didn't have a cushion, but we also didn't have the resources to deal with the ramifications, like the fact that there were communities across the country that had gone through dramatic foreclosures, that there were small suppliers who were wiped out early in 2009 and didn't have help.

So, this time you have both a cushion, but you also have resources that allow people to plan in a reasonable way over two or three years to address long-term issues, which we see now: learning loss, you know, learning loss in students, emotional health issues, people who've left the workforce, increases in, you know, threats on homelessness, affordable housing. People can now make -- you know, these are not -- this is not a substitute for Build Back Better. It's not long-term. But they can help plan a more sustainable response.

So, I think when you look at that, I think that the design and the money flowing out has worked in accordance with those two goals.

Now, you know, I don't think when somebody says there's lots of money available, that's just not really -- that's not true. We've had these discussions. Ninety-five percent of the money that is legally available to be obligated or spent has been at this point. Yeah, there's some things like the second tranche of the state and local that are not obligated to May 10th.

So, the issue that we have actually makes the point that this has been sustainable enough that even though we've dealt with the Omicron, Delta, and now really a war of its likes we haven't seen since the 1940s, we have not had to go back and ask for more economic recovery funds, more stability funds. The part that ran out of it was those allotments that directly went to lifesaving COVID issues.

So, I think when Congress looks at this and realizes that the importance of supporting democracy in the world right now and our playing a leading role, you know, it would not make sense to also not be doing things that will save lives here. So, I think the American Rescue Plan as designed and passed is flowing in the way it was meant to: a big burst that helped jumpstart the recover and a more equitable recovery with less scarring, but funds that are still available and going out in childcare, in K through 12, in higher education, in the state and local that are designed to let them have a more long-term response.

So, the real issue is just, you know, they've on the Hill tried to say are there place where you could, you know, cut back a little or where funds were not fully used? And I think that Senator Schumer's office and our OMB have participated in that and tried to work together. And, you know, our hope is that people will see the benefit of doing both.

MS. MUI: Mayor Stoney, Gene just talked about the potential for scarring amongst workers, amongst households, amongst kids. What are you seeing in Richmond and how are you trying to address that? And how are federal funds helping or not helping?

MAYOR STONEY: Well, I want to begin by saying first to Gene and to Congressman Jeffries thank you. The American Rescue Plan has been a godsend for local governments, my local government specifically.

We are certainly seeing learning loss amongst our children. Some of our residents have not returned to work yet. And, you know, a lot of our small businesses, the lifeblood of our economy, have really paid some -- they've really got it on the chin. The really got hits on the chin.

So, I've seen the American Rescue Plan act as the ability for us to focus on, first, our recovery; second, on building resilience; and third, on transformation. This is once-in-a-lifetime sort of investment in local government.

And here's the thing, we do a lot of begging at the local level, whether it's to the state government or to the federal government. It's not every time, every day that a local government like mine receives $155 million. A hundred and fifty-five million dollars that can change the trajectory of our city.

So, we went right to work, held a number of community engagement activities. We did in-person town halls. We went to social media. We did surveys, QR codes, canvassing. And we wanted to know from our residents, the 230,000 that live in the City of Richmond, and we got to as many as possible, how you all want to spend $155 million. And many came back and said you know what? We want to use these dollars to lift people up because a lot of folks were devastated by the pandemic and the economic downturn.

And so, our number one priority was children and families. And so, we used roughly half of that, $81 million of our $155 million allocation, to focus on children and families. So, we're building new community centers in long-neglected areas of our city, Black and Brown neighborhoods that don't have community centers. Well, our idea is to make these sort of like mini town halls -- I mean, mini–City Halls, where folks can receive services and which folks who were certainly in need of services during the pandemic, but some of them couldn't make it downtown. So, two community centers in Black and Brown neighborhoods, renovating community centers as well, and creating that 10-minute walk to parks and community centers.

But we also put $32 million, roughly 20 percent of our allocation, into more affordable housing as well. We've always had an affordable housing trust fund, but we've sort of been like incremental in our approach. Now we put $20 million of that 32 million into affordable housing.

We also saw some issues with public safety. We put more dollars there.

So, all the major issues that have been the result of the pandemic we're able to focus on. But for us, when I talk about transformation, going into areas and neighborhoods that have never been touched by whether city dollars, state dollars, or federal dollars, it is a game-changer.

And so, for us, we've bounced back, I think, for the most part. Our city is vibrant again. But we wouldn't be able to be where we are today if it wasn't for the American Rescue Plan Act.

I think I said in the *New York Times* the other day, said this has been our -- this is akin to our New Deal. It really has been. And I just think what we could have done if we had the Build Back Better as well as part of that equation. Nonetheless, we're making the best of the American Rescue Plan

Act and we can’t wait till the second tranche. (Laughter)

MS. MUI: So, it sounds like there are a lot of really positive things happening in Richmond, services that you’re being able to provide to your residents. But I guess my bigger question is should a fiscal stimulus, should a recession remedy be a transformational investment? Should that be the goal that policymakers set out to achieve? Because isn’t that really sort of the debate and the question? Was the American Rescue Plan too big? That’s the debate that Republicans and Democrats have had on the Hill.

But wrapped up in that is should the money be going toward the root causes of the problem or should it be going toward all these other issues that might be secondary or tertiary to what originally happened to cause the crisis in the first place? Is that really the goal of fiscal policy, to create transformational investment during a time of recession? Should the goal be to build something that is even bigger than what you had initially? Open it up.

MAYOR STONEY: Well, can I say that, you know, I think what the pandemic did was it sort of illuminated the inequities that, unfortunately, have always been all around us. And I believe a lot of my residents, you know, we’re a majority-minority city, were injured by COVID-19. And the injury sometimes wasn’t them just getting sick, right, and becoming ill. It was the loss of their job, loss of the stability they have in their lives.

And a lot of times, we did what we could, even though we saw consumer revenues dwindle during that time of the pandemic because folks weren’t going out to eat, folks weren’t going to the movies. Right? And so, some folks could not meet their rent.

So, this is a catch-up to make up for the injury that occurred. But also, why not try -- should we be aspirational in everything that we do? And so, we’re using this to make up from lost time, to tell you the truth.

I think about, you know, the ability that local government has and my city has come back, has rebounded from White flight and from past recessions. For us this is long overdue. The Federal Government should have been investing in local governments in cities like mine a long time ago.

And so this is recovery, but you could also make it a transformation strategy as well.

MR. SPERLING: Can I -- on that? I don't think there's any question that none of us consider the American Rescue Plan to be a substitute for the longer term Build Back Better. And indeed, we often see at state and local levels people resisting doing some of the long-term hiring that they want, like in childcare, because they want to see that longer-term funding, so that there's not the cliff.

But there's a difference between saying, yes, the American Rescue Plan was not supposed to nor does it end up being a long-term strategy, as Build Back Better is, and saying that its only goal is just to lift out, you know, hit a certain number, you know, for three reasons. One is I said recoveries leave a certain mark -- I mean, recessions leave a certain mark. They hurt in certain ways, long-term employment.

I feel horrible when I think about '09. We helped a lot of the big suppliers for autos, but so many African American small companies, who were the bulwarks of their communities, were devastated. In '09, we didn't really have the support. That's not really a long-term strategy. That's dealing with the actual ramifications. He's talking about learning loss, people not coming back to work. Those are, I think, you know, really dealing with the more fuller response to a recession and making sure people have at least the bandwidth to have a reasonable response.

Now, when I came in, what we heard repeatedly was the initial CARES Act. You know, I'll quote one of your mayors, Mayor Adler from Austin, who said the CARES Act only allowed us to spend money for like 12 months initially. He said, so I'm -- he says I'm ashamed to say I got together and I just spread it out among 50 nonprofits.

When the American Rescue Plan happened, we said what are the two most serious problems this is exacerbating? Which we thought was the threat of homelessness and workers not being able to move up. And so was able to put together work with their county for a more sustainable plan.

But I think the third thing, and this goes to what the mayor is saying, and when we made this decision in a very specific policy way in the guidance for the state and local plan, even though we do require that what you're addressing be impacted -- be a health or economic impact, are we going to say that if you're in a community where African American and Latino children are two grades behind in math and reading. If the pandemic made them four grades behind, that you're only supposed to try to get that increment, or can you take on a disparity that it's been exacerbated?

The other thing that we see is, you know the disinvestment. I mean, I was with a big city on the Emergency Rental Assistance, where they were in tears. They were doing everything they can, but their software was breaking down. They didn't have people to answer the phones. There's been serious disinvestment. And I think if there's been one place I really do think a lot of the media has been off, on the state and local people tend to look at a handful of states with surpluses.

By the way, the State Budget Association was projecting 3.7 percent revenue growth for 2021. When the American Rescue Plan happened, it went to a record 14-1/2 percent. So, yes, it worked. It serves growth. It serves revenue.

Some places had surpluses and some of us don't like what some of the people are doing with that instead of reinvesting. But what they are not seeing is that most of the cities didn't get any CARES funds. Most of them are suffering from deep disinvestment going back to the Great Recession and so, they did not even have the infrastructure to respond.

So, to me, when you say that this mayor can now build up his facilities so that -- have a, you know, community response, not just now, but for when the next recession or downturn or crisis comes. To me, that's not like coming up with the new Affordable Care Act. That's having a more richer and fuller response to a deep downfall and ensuring you get out of this one and you're in a better position to deal with the next one.

CONGRESSMAN JEFFRIES: If I could add, I'd just say at the federal level, you know, a crisis in many ways does provide an opportunity to act decisively to address some ills that have been ailing society. And I think the disproportionate impact of the pandemic on communities of color, under-resourced communities, Appalachia, rural America, Indian country, were really brought to the forefront; disparities that many of us in the House and, of course, the Senate know exist, fight to address, but I think the pandemic laid it bare in such a clarifying way for so many on the Hill that it did provide a moment to try to address, you know, some societal challenges.

And the fact that pre-pandemic a little over 40 percent of the American people reported that they couldn't afford a sudden, unexpected $400 expense in the wealthiest country in the history of the world is a problem, societal challenge, that we have to address and address decisively; the middle class, you know, and those who aspire to be part of it increasingly hollowed out over decades of a big gap between wage growth and productivity growth; productivity growth exploding, you know, wage growth nowhere near matching the productivity. And the prosperity that the economy has been experiencing over decades not being distributed in a way that makes sense consistent with the Great American Dream.

And so, the American Rescue Plan in particular, and all the ways that the mayor and Gene have laid out, incredibly important. But it also provided an opportunity to lean into some policies, for instance the Child Tax Credit, that managed to significantly reduce child poverty in the last six months of 2021 because of this transformative policy and should lay a foundation for us to move forward with a greater degree of permanence.

The enhanced subsidies for the Affordable Care Act in terms of opening up the opportunities for a greater percentage of the American people to have affordable access to high-quality healthcare. Some of the things that weren't able to happen when the House changed in 2010, and an intentional effort to short-circuit access to the Affordable Care Act, we could resume and hopefully build upon the broadband benefit, which is designed to say, and the pandemic was really clarifying, that not every American has access to the high-speed Internet necessary to either work from home; learn from home; receive telemedicine from home; communicate with your family, friends, and loved ones who you couldn't otherwise see, and that's a problem in America. And we were able to lay the foundation, with the pandemic, a broadband benefit that then became part of the Infrastructure Investment and Jobs Act.

And so I do think there is something to be said for the opportunity for a crisis to shape even a longer-term public policy approach to confronting the challenges of America.

MS. MUI: So, one of the lessons from the great financial crisis was that the response in Washington was too small. That led to a prolonged, but slow recovery from the recession. And not as many jobs created as we would have hoped. When we look at the pandemic and we look at the crisis that we've been experiencing for the past few years, we've seen the benefits of a big response, which is strong growth and more jobs, fast reduction in unemployment, but now we are also seeing the impact of inflation, you know, the highest inflation rate in 40 years.

So, when we think about the next crisis and how you respond, how do you now calibrate the risk of inflation with a large government response? Congressman, you can go first.

CONGRESSMAN JEFFRIES: I think that's a question for Gene. (Laughter)

MS. MUI: Is it a constraining factor? Is it a limiting factor, do you think, in the response to the next recession?

MR. SPERLING: Well, you know, listen, as I said, I think when you look at the dual goals, I do think that -- you know, I mean, I don't think like you can take an approach where, you know, in 2010, '11, and '12 everybody writes about scarring, you know, what long-term employment means in terms of not just future earnings, but the emotional devastation; serious studies showing that it's at the same rate as like the loss of a spouse or a serious bout of cancer. I think, you know, Rothstein's study on the youth unemployment, that you saw a long spell after the '82 deep recession, you saw over 12 percent, that it not just affects earnings, it affects marriages, divorces, suicides, how many children are born, major impacts.

And so to have a recovery where you start and you say we want it to be strong enough not just to, as I say, have a recovery where lots of people never recover, but a recovery where really everyone recovers and you lower scarring. I think that's the right thing to do. I don't disagree. People can debate whether the Fed should have adjusted more. But from a fiscal policy point of view, I think aiming for lifting everybody up and reducing scarring.

Now, there is, I would say, a dimension. Now, the response in 2009 was as big as was possible with the votes at the time. I mean, it's not like people -- it's not like Jason and Larry and Tim and others didn't know that more might help. They just -- it was the most they could get. Congress and the mood changed, they couldn't get it later. So, it's not a criticism of that, but it is recognizing that maybe the next time you come, you make sure state and local governments, school systems, others can have that greater sustainability.

So, I think in terms of the -- we're not just having less of those problems. You have the largest drop in a year of long-term unemployment ever or on record, largest drop of youth unemployment ever. You have Latino unemployment going from 9.2 percent to 4.2 percent. You've got pretty much record unemployment claims. I mean, this has, you know, in terms of those things, been successful.

I also think that, you know, we have to remember, we have had those unforeseen things. We've had Delta, we've had Omicron. People were very worried on both that that would derail a recovery. I don't think either have. It's unbelievable what is happening with Putin right now. Talk about something that's not what you expect of the modern world happening.

And so, you know, I do think this movie is still playing a bit and how we're going to look at that is going to be affected. Now, obviously, the question that's asked and which lots of people say is, is the incremental impact of having the American Rescue Plan be 1.9 trillion versus a smaller number, did that incremental impact have enough of an incremental impact on inflation, which is obviously significant and historic virtually across the world right now? But did it have a significant enough impact on inflation that it withdraws some of those benefits?

Now, you know, you can look at the Moody's analysis, you can look at the First San Francisco Fed analysis, which actually see relatively small impacts and see things as more a supply chain challenge that happened with Delta and Omicron. There's people like Jason, who would argue it's much more on the demand side. I don't know what he thinks the exact American Rescue Plan is.

I think that it is my view, it won't shock you, that I tend to be more on thinking that it had a more marginal impact and that people are underappreciating the resilience point, the fact that, you know, bad things happen and we know have consumers who have reasonable balance sheets, less credit card delinquency, less debt as a percentage of their income. We're not seeing state and local governments have to go back and ask for more funds because they're in contraction or that he can -- now has to pull back on all the good work that he's doing. So, I think there are a lot of benefits.

And I know there'll be a raging debate, but I am not convinced that when I look across the world and I see every single country dealing with COVID fatigue, supply chain issues, historic high inflation, you know, I realize people will have that debate on, again, what was the incremental impact. But, again, it's not like all 1.9 trillion came out in the first year. As I said, it was designed to have around half of it or so go out initially and a lot of the other is spread out for these longer-term responses, which I'm glad we have. I'm glad that in 2022 there was funds for 150,000 childcare centers to stay open due to the American Rescue Plan at a time Omicron hit. Didn't know Omicron was going to hit. Didn't know, but it turned out that was a very important insurance policy, so.

MS. MUI: But, Gene, you mentioned this because, you know, you talked about there's sort of the economic analysis of how much ARP might have contributed to inflation. But looking forward, is inflation a political constraint on the amount of spending that lawmakers might be able to agree on?

CONGRESSMAN JEFFRIES: Yeah.

MS. MUI: So, Congressman Jeffries, I kick it back to you.

CONGRESSMAN JEFFRIES: Well, I --

MS. MUI: I know you tried to kick it over to Gene. (Laughter)

CONGRESSMAN JEFFRIES: Gave me some time to think about my answer. (Laughter) But --

MR. SPERLING: Any time. (Laughter)

CONGRESSMAN JEFFRIES: Thanks, Gene. I think the question to be asked, you know, moving forward is not whether we should be concerned or alarmed that the robust response laid a foundation for approximately, you know, 8 million jobs, good-paying jobs, to be created in 15 months, a record in American history in terms of a similar period of time. We shouldn't be alarmed at the fact that we've got the fastest rate of economic growth in 40 years. We shouldn't be alarmed at the fact that unemployment went from 6.4 percent to 3.6 percent. Can't be alarmed at the fact that wages have increased in a meaningful way for the first time in decades. Can't be alarmed at the fact that the deficit, with all of that happening, was reduced by more than $350 billion in President Biden's first year and will be reduced by over a trillion dollars in his second year. Can't be alarmed at the fact that demand, presumably related to those dynamics, came roaring back.

I think the lesson to be drawn is what do we do about the supply chain challenges? And I think early on, the way Congress thought about things, left and right, Democrats and Republicans, it was an awakening that so much of what was necessary in terms of the public health response, items manufactured not domestically, but overseas. And we were somewhat constrained and overly reliant in terms of the geopolitics and the economics of supply issues.

And I think that has grown and developed into taking a look at, you know, domestic chips production. And I think the America Competes Act, you know, which we're working out now with the Senate and we expect the Senate will appoint conferees hopefully sometime soon, so we can invest in a meaningful way in semiconductor production domestically. I think right now 70 percent of our chips come from Taiwan. And, you know, that affects a whole host of things in terms of the 21st century economy.

So, I think one of the lessons hopefully that Congress will draw moving forward from a policy perspective is, you know, how do we strengthen our domestic supply chain in the area of chips and semiconductors and possibly in other areas related to, you know, manufacturing, and make it in America more decisively, which is good for the country? It's good for jobs and potentially will put us in a better position moving forward in terms of some of the inflationary pressures as they arise.

MR. SPERLING: I just want to say one quick thing and I won't go long, but I think it's important as you have the discussion. One has to also think about what is the role of fiscal policy versus monetary policy? And, yes, you have to politically address for political reality. And one thing is when you have a moment in time where you can try to lay out a fiscal strategy, particularly after we saw really globally fiscal underperformance after the global recession, do you take that moment to do these dual goals? Make sure that you can lift everybody up and, secondly, make sure that there is the resources for the mayors to ensure that they can have more sustainable responses to unforeseen events or unforeseen ramifications? And do you say that that is the right thing and then have a debate about whether monetary policy response fast enough or, you know, have that debate? We should obviously be debating those.

But I do believe the framework of the American Rescue Plan, I still think is a wise one. And I think that we will, you know, we will probably debate specific things. I think people will debate whether, you know, was three -- the exact design of the Economic Impact Payment, whether there should have been three, all those things. They'll debate that. They'll debate, you know, the supply challenges that we inherited on chips or affordable housing.

But I think that that framework is one that I think will end up being positive even though I think people will obviously debate every aspect of it, and including whether the monetary response was right. And, again, this movie is still playing. I mean, this is a -- you know, we're a year into the American Rescue Plan.

MS. MUI: Maybe Mayor Stoney can tell us what the end of the movie might be. (Laughter) So, I want to ask you a hypothetical here, which is, you know, you've been the beneficiary of all of this work by policymakers in Washington. If there is one program, whether it was enhanced unemployment benefits, PPP, obviously money directly to state and local governments, if there's one thing that you could be sure that you had when the next recession rolls around, what would it be?

MAYOR STONEY: Hmm, one thing.

MS. MUI: Okay, maybe two. (Laughter)

MAYOR STONEY: Well, I'm just going to say, and I think the congressman touched on this as well, when you're a city like mine where we have a poverty rate of around roughly, you know, 23 percent and it rose because of the pandemic, and you think about the number of children that I also have living in poverty, the Child Tax Credit was a very, very important policy for many of my families. It allowed for the women who had left the workforce to get back to work, find childcare. And it cut child poverty in half.

And so we were I think on a positive track. And to have this sort of ripped out from underneath us, we now have to find the solutions to how do we get more of our women and families back to work when childcare is still a major problem? Not just the cost, but actually find the childcare as well.

And so, I thought that when that was essentially repealed or pulled back, I knew that we were going to have to find a way and we're obviously exploring opportunities, working with the counties and working with nonprofits as well to provide that help. But I thought that was a very, very significant policy piece that a lot of local governments need right now.

We need to solve this problem. And also, it helps us start to build the workforce of the future in terms of early child learning as well.

MS. MUI: I think this is such an interesting point because during the pandemic there was such a moment around sort of direct payments, cash as a benefit, no strings attached in how you spend it, and how quickly and directly that could be provided to people who were suffering. Do we still feel like cash is having a moment or has that passed?

MAYOR STONEY: No, no, I still -- here's the thing. I was not an early adopter of, you know, direct cash payments to residents, to American citizens. But I think it worked. Right now, I'm, along with over 40 other mayors from around the country, I'm part of the Mayors for Guaranteed Income, a number of mayors from all across the country. We want more mayors to join. We want to get to 100 mayors who have joined this effort.

We have over 50 families right now, many of these families are -- our criteria, we're going to focus on the term "citizens," those who had a felony on their record and have had a hard time getting back in the workforce. A lot of times these are citizens who have to sit on the sideline until the economy becomes a whole lot better than it usually is and they are brought into employment.

Now, this $500 cash contribution that we're providing for our residents, these 50 or so families, allows them to not to have a second job. It allows them to actually go to their kids' games now, be participants in civic society as well, and volunteer their time. And I've been able to sit down with people who have served some time, who've had that scarlet letter on their chest. And they said, you know what, $500 may sound like a drop in the bucket for a lot of us here in this room, but it's a game-changer for individuals who are living, hovering or right around the poverty line. And here's the thing, these folks are working today. They're going to work each and every day. They just don't qualify for federal benefits at the moment.

So, it has been a godsend for a lot of these families and it's worked. Letting folks, giving folks the agency to do what they will with their monies and paying the rent or saving for a new home, it has been a life-changing experience for a lot of these folks.

So, I would add that policy plus the Child Tax Credit. Those are mine.

MS. MUI: So, Gene, I think you'll be interested in talking about this because, you know, the flip side of the Child Tax Credit and the Economic Impact Payments is that they were incredibly taxing for the Federal Government to administer. There were many programs for this enhanced state unemployment benefits, you know, state unemployment offices dealing with 50-year-old IT systems. So, can you talk a little bit about what needs to be done to allow the federal infrastructure to be able to support the types of policies that we need?

MR. SPERLING: Yeah. I mean, I think when somebody asks about cash or something, I guess I look at it a little different, which is how do we make sure that we're providing support to people who need it, when then need it? And I think that, you know, this crisis has exposed what we all know, which is that, you know, I like to think of it as like an economic dignity framework. We have holes in that system and people were trying to deal with them the best they could. Some of the Economic Impact Payment was perhaps less targeted, but it was dealing with it the best it could where you did not have that infrastructure.

And I think it leads to kind of an important caveat of a recommendation I agree with, which is I agree generally with the recommendation that when you're in a crisis, you should try to build off existing infrastructure. Like I think that's a smart recommendation. But everything has its exceptions. And you also have to think about when you don't have that infrastructure built, do you use it at that moment?

When I started my job, I thought, oh, I know what's going to be the bad moment. It's going to be when monthly payments are due. I mean, how crazy was this? We were asked in four months -- or we made the decision, we didn't have to, so it wasn't Congress, we made the decision in four months to do the first monthly payment ever. Ever. Passed in March, went out in July. When to --

MS. MUI: That was the Child Tax Credit.

MR. SPERLING: The Child Tax Credit. Went to 61 million kids, went on the same day every month, 85 to 90 percent was direct deposit. That was a daring effort. It took an amazing amount of work. But we actually used the crisis to now build an infrastructure.

And, yes, I'm heartbroken where the Child Tax Credit is right now. But we have shown, after there have been some failures in the advanced EITC earlier, that we now know we can do a monthly Child Tax Credit.

The other is the Emergency Rental Assistance. That looked like that would be your classic case, right? I mean, there you were supposed to build up from scratch 400 different programs dealing with landlords and tenants, not always the best, friendliest relationship, during a pandemic. And for two or three months, it looked like that would be the case study; it doesn't work. But you know what? In crisis we threw ourselves at it, we listened, we adjusted, we kept changing guidance, we looked to problems. And by the time the national moratorium ended, we were giving out an historic amount of relief.

Now, believe me, I know as well as anyone, the gaps, the warts, the challenges. But here's the bottom line: we now do have a national infrastructure on rental assistance. Five million payments will have gone out instead of the tsunami after the national moratorium on evictions ended. They actually were below historic averages. We actually used the crisis to fill in a gap in our safety net or economic dignity gap that never happened. And so you can -- warts and all, we did something historic and built that.

So, I think one of the caveats is when you don't have an infrastructure and there's not one to build on, you know, as hard as it is, as risky as it is, do you take that moment to build one? And I think the Emergency Rental Assistance is a great example where the story you would write today is very different than what you would have written in May or June of last year.

MS. MUI: Congressman Jeffries, there are several people in the audience who have asked this question and it was asked in the previous panel as well about automatic stabilizers. It seems like that would be a commonsense way to ensure that people can get the help they need without minimizing the amount of political debate that's happening in Washington, but hasn't ever gotten traction. I know it's a policy that you have advocated for in the past. Why is Washington so lukewarm about it?

CONGRESSMAN JEFFRIES: Well, certainly within the House Democratic Caucus there's a lot of support for it, both amongst progressives as well as new Dems and moderates, you know, centrist, commonsense Democrats. This was a common point of agreement as we were working our way through the pandemic response. And so it didn't make its way into actual legislation, but I think the discussion was advanced in this particular area in a meaningful way.

And it speaks to the broader point of when you're responding to an economic crisis to a downturn to a recession, there's the public policy response and then there's the political reality. And the political reality often limits the public policy response. And I think there's an argument to be made that's problematic.

And when you look at sort of the dynamics, as Gene was describing, of the Great Recession, when I look at sort of legislation, you know, you always have to look at it, particularly in a crisis, in my view, of, you know, what's possible, what's necessary, what's optimal. You know, what's possible is the floor, what's necessary is what you should achieve at minimum, what's optimal is, you know, the goal that you always should aspire to at all times.

And, you know, sometimes you can never get to what's necessary because the politics, you know, limit what is possible. And I'd argue that happened in the context of the Great Recession where I think it was clear that a much broader response was necessary, but the dynamics, particularly in the Senate, didn't permit for it at that point in time. And then the political landscape changed in the 2020 election and there was no opportunity to go back and build upon what had previously been done in 2009.

I think our approach, learning from that in 2019/'20 -- '20/'21 I should say, was we are absolutely going to strive to do what is necessary and nothing less than what is necessary will be acceptable to us. I think we did benefit politically from the fact that you had, I believe, a President who was in a reelection year. And so was inclined to perhaps do some things that he may not have otherwise been willing to do and could drag Mitch McConnell and Senate Republicans along to get to at least a reasonable floor with the CARES Act and then the subsequent responses, particularly in going back and targeting some of the investment around PPP to CFIs and minority-owned banks and things of that nature when the first round didn't make it to some of the businesses in the mayor's city in the way that we kind of thought it should have.

But moving forward, you know, I don't know that that's any way to run a rodeo. (Laughter) Like hoping that the politics line up to get to what's necessary or optimal. And that's where I think automatic stabilizers should really enter into the conversation going forward as sounder public policy that minimizes the political constraints of decisively responding to a recession.

MS. MUI: Mayor Stoney, what would be your request to Congress as you look forward to -- not look forward to, let me choose that word better, as you brace yourself or prepare for any crisis to come? What would be your ask to Washington?

MAYOR STONEY: Well, you know, when I look back at the last couple of years and the one policy decision that I really -- I will say I disagreed with, was with I guess the CARES Act, when the dollars went to states and also to cities that were 500,000 or larger. I remember being on a phone call or Zoom with a number of mayors of mid-sized cities and we were hot as fish grease. Okay? (Laughter) Because we were like wait one minute. The Chicagos, the Houstons, the Los Angeles, the New Yorks, the Atlantas -- well, not even Atlanta, I don't believe, would get the dollars directly for us to have a little bit more flexibility. A lot of us would have to go work with our states.

Now, luckily enough, I had at the time a Democratic governor, someone of the same party, who understood the needs for localities like mine to have these monies in our coffers as quickly as possible. But let's just say you're working with someone from another party, a city, and working with the governor. A little bit more difficult.

And so, the difference is the American Rescue Plan Act put monies right into the pockets of the cities as well and that's where I saw a policy change that was for the better. That's the sort of approach I think that needs to at least be ironed out and also a part of future policy decisions. Because I think that -- I believe in mayors, I believe in our cities, and that's where the rubber truly hits the road.

CONGRESSMAN JEFFRIES: Yeah, that was CARES Act possible, American Rescue Plan optimal. (Laughter)

MS. MUI: And, Gene, final question for you as we wrap up here. You know, you've served in multiple administrations now, maybe you'll serve an additional as well. But what advice would you give someone who is going to be sitting in your shoes one day in the future when they're staring down, you know, 11, 12, 13, 14 percent unemployment, you know, rapidly declining GDP? What would you tell them to do other than get a stiff drink? (Laughter)

MR. SPERLING: Yeah, I was like get a good fellowship at The Hamilton Project. (Laughter)

I will say one thing, which is I saw President Obama yesterday for the first time in a little while. And I said, you know, for people like myself who have like been in, you know, the national economic policy and just made policy and then moved on to policy, it's pretty good to be in an implementation job for, you know, the period I have, I mean, to really actually see what is needed and to think about those issues, you know. Like I think one of the lessons learned is that we don't think enough about the last mile. How do we actually help people, the human touch, the human connection, to get assistance?

So, I will say the following, which is I do think that focusing in a crisis more on what are the things that will actually make sure funds receive people -- get to people? Not underplaying the importance of modernization, investment in boring things like software infrastructure, people answering phones, and thinking about as you're doing these things what is the practical realities of it getting out not just fast, but in an equitable way to the people who need it most?

And I think we did have a lot of lessons learned, but, you know, my general view is that, you know, you have to -- it's great to be there. You know, it's great to be there in parts of the '90s where people were saying '99 was the greatest year in the economy, et cetera. But, you know, that's when you're needed most. That's when public service is most.

That's when you're going to get blamed for everything you do and people are going to look for the worst part. And you've got to just put your head down and just remember the people that you're helping and know that you're going to get hit from all sides; that, you know, President Obama used to have on his thing -- on his desk, "Hard things are hard." When you're doing these things, it's hard. You're going to get criticized and you just, as I always say, have to literally picture the people out there that you're helping every day, put your head down, and just be confident. Then when you're through you will feel like you served your country well in the most difficult of times, so.

MAYOR STONEY: Amen. Amen.

SPEAKER: Well said. (Applause)

MS. MUI: Chairman Jeffries, Gene Sperling, Mayor Stoney, thank you guys so much for joining us.

MAYOR STONEY: Thank you.

CONGRESSMAN JEFFRIES: Thank you.

MR. HUTCHINS: And it falls upon me to bring this wonderful event to a close. I'm Glenn Hutchins. And on behalf of the Hutchins Center and The Hamilton Project, I want to thank our speakers and all of you for joining today. Especially I want to thank the large, very large, livestream audience we had. You guys were in a TV studio here, you might not have known that today.

And as someone present at the creation of both the Hutchins Center and The Hamilton Project, I couldn't be more pleased to see them both flourishing and cooperating so well together. I point out we even now have alumni, like Janet Yellen, who left the Hutchins Center just a year ago, to make cameo appearances. That's kind of fun.

This is also Brookings, which I also helped to co-lead at its best, assembling scholars with deep expertise from both inside and outside the organization to analyze the available evidence objectively and provide policymakers with the guidance they need and they will surely need in the future, which I'll come to in a second.

From a personal perspective, as someone who has served on the board of the New York

Fed during this crisis and oversaw the Fed's response in real time, I can assure you that this work will be enormously valuable to future policymakers.

I especially want to thank Wendy Edelberg and Lauren Bauer of The Hamilton Project as well as David Wessel and Louise Sheiner of our center for all they did to pull this off. And to thank also their staff and research assistants, all the folks arrayed in the back, thank them as you go out the door, for whom this project would not have been completed.

We invite everybody in the audience to visit brookings.edu/RecessionRemedies to learn more about this project, to listen to our podcast -- well done, David -- and to absorb all the lessons learned.

As I bring this event to an end, and, by the way, it's great to be back together again, I am quite sure that we will, unfortunately, have a future crisis, triggered most certainly by something entirely new and unforeseen. As an aside, by the way, if we lived in Ukraine, where I was 10 days ago, we would not have the luxury of wondering about future crises. But we can come back to that at a different time.

But when our next crisis arrives, policymakers in Congress, the White House, the Federal Reserve will ask which of the tools they deployed during the pandemic should be used again, what should be modified, and what should be avoided? The answers to that will be found in the Recession Remedies Project as well as our predecessors' work from the '08 crisis first responders.

And you are all, of course, invited in the wake of that crisis to perform yet another postmortem with us, next time we hope at Brookings. But until then, stay safe and thank you. (Applause)

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