



# SUSTAINING CAPITALISM

A series focused on nonpartisan reasoned solutions in the nation's interest to the central challenges we face in order to provide prosperity for all Americans.

## FIRST 100 DAYS PLAN EXECUTIVE SUMMARY

### INSIGHTS FOR WHAT'S AHEAD

The Committee for Economic Development of The Conference Board prepared the following analysis and recommendations in the spirit of our founding members, America's foremost business leaders during World War II, who came together to solve our nation's crucial postwar economic and social challenges. Similarly, business leaders today, hand-in-hand with policymakers and the American public, must provide a thoughtful response to the COVID-19 crisis and restore confidence in capitalism and our democratic institutions.

CED respectfully offers its nonpartisan analysis and recommendations for the first 100 days of the new administration to build a stronger, more resilient, and more responsive economy that provides opportunity and prosperity for all Americans. The objective is to overcome the public health challenge, safely reopen the economy, and get our nation on a path to high levels of employment, production, and consumption—to put our country back to work safely, making capitalism benefit all Americans.

### COVID-19's Economic Impact: Lessons Learned

While it is still too early to understand the long-lasting impact of the COVID-19 pandemic on the future economy, we have learned several important lessons that should serve as the foundation for our fiscal policy response:

- Federal stimulus is needed for recovery, and the level and composition of that stimulus is of enormous consequence to the pace and direction of the economy.

- The pandemic's continued spread will stall or slow the economic recovery, and especially burden low-income workers and communities of color.
- The pace of the labor market recovery is generally slowing, and employment could take several years to recover.
- The pandemic is devastating to small business, the US economy's growth engine.
- The postpandemic labor force will be smaller, and the supply of productive capital will be reduced.
- An economically rejuvenated China will further challenge US interests and US-China trade policy.
- The US debt burden is growing exponentially.
- We will not return to the economy of January 2020; for example, many businesses are predicting more workers will continue to work remotely, and our society—our work and home lives—will be much more integrated with technology.

Opportunities arise from the crisis, and the following recommendations address the most important challenges and seize those opportunities.

## **POLICY TO DEFEAT THE PANDEMIC, REOPEN THE ECONOMY SAFELY, AND LEAD THE NATION TO PROSPERITY**

### **TASK 1: DEFEAT THE COVID-19 PANDEMIC**

- 1 Build public awareness of and consensus on the need for good public health practices, among households, localities, and states.
- 2 Increase testing and testing capacity, tracking and tracing, and isolation capacity. Public health infrastructure and workforce development must be strengthened to provide needed care and resources to vulnerable populations.
- 3 Develop vaccines and therapeutic drugs robustly, with safety, efficacy, and transparency as the highest priorities; make the vaccines widely available as soon as possible.
- 4 Engage in regional contingency planning to provide adequate hospital capacity.
- 5 Provide emergency regulatory relief as necessary.
- 6 Restock and maintain the Strategic National Stockpile.
- 7 Rebuild supply chains for secured and redundant sources.
- 8 Establish international cooperation with constant information flow around the world.
- 9 Create a bipartisan commission to compile public health lessons learned from the pandemic.

## TASK 2: ECONOMIC RECOVERY—EXTENSION OF SHORT-TERM RELIEF AND STIMULUS

- 1 **Augment unemployment compensation.** Prepandemic unemployment compensation must be augmented in its coverage of the workforce and its amount and duration of benefits, to assist the millions of Americans hit hardest and to stimulate the economy.
- 2 **Strengthen the health care system.** The nation's health care system must be supported to provide care and resources to deal with the new wave of infections.
- 3 **Assist states and municipalities.** To provide needed aid but avoid windfalls to states and localities that have not been fiscally prudent in the past, the federal government should replace any shortfall in state and local tax revenues until they return to population- and inflation-adjusted fiscal year 2019 levels. We must attack hunger and homelessness, and prevent the ongoing loss of housing.
- 4 **Subsidize education: child care & early learning, K-12, post-secondary.** An additional block grant to the states should target the costs of fighting the virus, especially the higher costs of delivering quality education, from K-12 through postsecondary education and training. We must close the digital divide to achieve quality remote education in underserved communities, and create a child care stabilization fund that can ensure access to safe, high-quality child care.
- 5 **Extend the reach of the Paycheck Protection Program to smaller businesses, especially those that are minority owned.**
- 6 **Limit COVID-19 infection liability.** Businesses should be liable for negligent or malicious actions, but Congress should provide liability relief to those that act in good faith to allow for orderly reopening.

## TASK 3: ECONOMIC RECOVERY—A FIRST-100-DAY PLAN TO REBUILD THE ECONOMY FOR THE NEXT NORMAL

- 1 **Enact an infrastructure program to make the US economy more productive and competitive, while creating new jobs.** Additional funding for all levels of government will keep their planned infrastructure programs on track, as well as providing universal broadband access. Carefully ramp up a comprehensive infrastructure program to efficiently address both new requirements and continuous repair and renewal.
- 2 **Create innovative training programs to prepare the US workforce for the post-COVID-19 economy.** Fund innovative skills- and competency-based training programs for workers who have been laid off, furloughed, or put on reduced hours, with input from business to target in-demand skills.
- 3 **Develop the future workforce: revitalize postsecondary education and training for the post-COVID-19 economy.** Incentivize business leaders and educators to make postsecondary education and training offerings align with in-demand job skills. Base postsecondary education and training on skills

and competency to provide more efficient and affordable access. Incentivize employers to upskill especially their low- and middle-wage employees.

- 4 **Reform K-12 education: it is overdue.** Provide K-12 students with opportunities to learn and practice in-demand skills as part of the standard curriculum, and support high-quality career guidance informed by labor market realities.
- 5 **Bolster the child care industry and strengthen early care and education.** High-quality child care and public-supported pre-K are an integral part of education and workforce preparation.
- 6 **Advance technology, innovation, and R&D investment to lead the way to economic recovery.** The nation must invest in science, technology, and research & development. Federal policy must encourage business investment, being responsive to business needs but without “picking winners” or “crony capitalism.” Regulations must protect privacy and support public health innovation, including vaccines, telemedicine, outbreak monitoring and tracking, and improve remote work, medicine, and learning.
- 7 **Use smart regulation to grow the post-COVID-19 economy.** The US regulatory framework must facilitate long-term economic growth in an unpredictable world. Regulators must continuously review and revise regulation, and be conscious of “regulatory overload” on small business.
- 8 **Provide more innovative and responsive support for small business.** Beyond protecting payrolls, policy must support long-term small-business innovation and adaptation to a post-COVID-19, technology-based economy.
- 9 **Make smart trade policy with China, and with the rest of the world.** Trade is essential to the economy. To be competitive, the US needs a consistent, comprehensive, and strategic multilateral approach to China that protects US economic and security interests (including intellectual property).

## TASK 4: PUT THE FEDERAL GOVERNMENT ON SOUND FISCAL FOOTING

Now, in an economic downturn of unprecedented character and proportions, is not the time to address the unsustainable federal budget posture. But it is not too early to take the measure of the problem and to map out a strategy to solve it.

- 1 **Contain the cost of the pandemic, and pay for the recovery. Congress should demonstrate its fiscal responsibility.** by segregating the debt-incurred recovery costs from the normal debt and finance the pandemic debt with a postrecovery, dedicated payment mechanism using bonds of 40- or even 50-year maturity.
- 2 **Conquer the pre-COVID-19 explosion of federal debt.** Even before the pandemic, the near-historic US debt burden was growing faster than the economy, which is not sustainable. The federal budget debt problem threatens economic stability and will slow economic growth. We need a bipartisan agreement on the maximum acceptable level of the public debt as a percentage of the GDP, and the will to observe that limit.

- **Address the root of the debt problem with needed reforms to the health care system.** Every American should have coverage through a cost-responsible choice among competing private health care plans.
- **Reform the US income tax system, following the model of the 1986 Tax Reform Act to raise revenue by eliminating tax preferences.**
- **Strengthen Social Security.** Social Security is rapidly exhausting its trust fund, and forcing the Treasury to borrow heavily from the public to pay its benefits; its self-financing must be strengthened to recognize the status of those seniors who are longer living, healthy, and affluent, while providing greater protection for those seniors who are the least well-off.

# CED REPORT

## FIRST 100 DAYS PLAN

The first 100 days following the presidential inauguration will be critical to overcome the public health challenge, safely reopen the economy, and get our nation on a path to high levels of employment, production, and consumption—to put our country back to work safely, making capitalism benefit all Americans. Following are CED’s nonpartisan analysis and recommendations to build a stronger, more robust, and more responsive economy that provides opportunity and prosperity for all Americans.

### COVID-19’S ECONOMIC IMPACT: LESSONS LEARNED

As the US moved quickly in March and April to mitigate the virus spread, the economic downturn was abrupt and precipitous, idling about one-sixth of the US economy. In the Great Depression, employment lost an estimated 23 percent of its 1929 peak by 1932 and remained below that 1929 peak until the outbreak of World War II. In the financial crisis, the economy lost more than 8 percent of its November 2007 peak employment by the trough of January 2010 and did not return to its prior peak until June 2014. In the coronavirus pandemic, the economy lost almost 14 percent of its employment—much more than during the financial crisis, and most of the three-year job loss of the Great Depression—in one month.

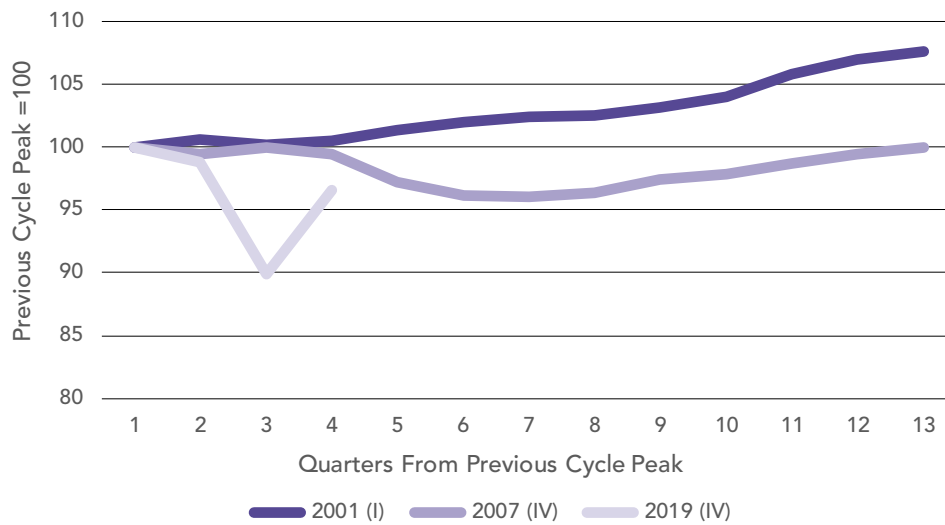
Because the pandemic job loss was imposed by stay-at-home orders to protect the public health, the downturn was hoped to be much more short-lived than the two past episodes. But although certain sectors are recovering faster than others, the pace of the labor market recovery is generally slowing. It is also clear that we will not be returning to the economy of January 2020; for example, many businesses are predicting more workers will continue to work remotely, and our society—our work and home lives—will be much more integrated with technology.

While it is still too early to understand the long-lasting impact of the COVID-19 pandemic on the future economy, we have learned several important lessons that should serve as the foundation for our fiscal policy response:

#### **1 Economic recovery will be stalled or slowed by pandemic’s continued spread**

The nation’s gross domestic product (GDP) dropped precipitously in the early pandemic, and as the economy reopened it recovered, but only partially (see Chart 1). And most states have since experienced a large rise in new COVID-19 cases, with the numbers and tragic consequences growing by the day. Many states and localities have slowed or stopped their reopenings, and others may be forced to follow. As a result, in December 2020, economic activity in the US is expected still to be about 6 to 9 percent below prepandemic levels. To put that in perspective, the entire drop during the Great Recession, which was the deepest recession in the postwar era, was 4 percent (from the fourth quarter of 2007 to the second quarter of 2009).

Chart 1  
Real GDP in recent economic cycles



Source: Bureau of Economic Analysis

- 2 **Employment levels will take time to recover** The job market has recovered partially, with about half of the workers who lost their jobs or were furloughed returning to work, but the recovery appears to have stalled (see Charts 2 and 3). It has become clear that the economic recovery will take time; it will be a couple of years at least before employment levels return to their highs of January 2020.

Chart 2

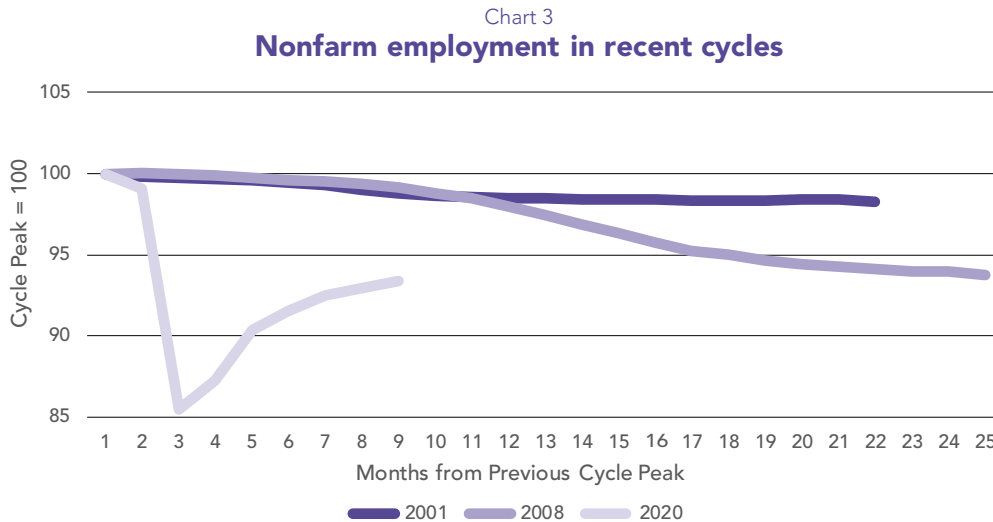
|                              | 2019     |          | 2020  |        |          |        |      |          | 2021 |      |          |       |      |          | 2019 | 2020  | 2021  |
|------------------------------|----------|----------|-------|--------|----------|--------|------|----------|------|------|----------|-------|------|----------|------|-------|-------|
|                              | 1st half | 2nd half | I Q*  | II Q*  | 1st half | III Q* | IV Q | 2nd half | I Q  | II Q | 1st half | III Q | IV Q | 2nd half |      |       |       |
| Real GDP                     | 2.2      | 2.5      | -5.0  | -31.4  | -18.2    | 33.1   | 2.2  | 17.7     | 0.7  | 3.5  | 2.1      | 6.0   | 4.5  | 5.3      | 2.2  | -3.6  | 3.4   |
| Real disposable income       | 1.2      | 2.0      | 2.6   | 46.6   | 24.6     | -16.3  | -5.0 | -10.7    | 1.0  | 3.0  | 2.0      | 2.0   | 1.0  | 1.5      | 2.2  | 6.1   | 0.3   |
| Real consumer spending       | 2.8      | 2.1      | -6.9  | -33.2  | -20.0    | 40.7   | 1.6  | 21.2     | 1.0  | 3.9  | 2.5      | 7.1   | 4.9  | 6.0      | 2.4  | -4.0  | 4.2   |
| Residential investment       | -1.9     | 5.2      | 19.0  | -35.5  | -8.3     | 59.3   | 15.0 | 37.1     | 7.0  | 6.0  | 6.5      | 5.0   | 5.0  | 5.0      | -1.7 | 4.5   | 9.7   |
| Nonresidential investment    | 2.1      | 0.8      | -6.7  | -27.2  | -16.9    | 20.3   | 5.6  | 13.0     | 3.5  | 3.7  | 3.6      | 4.5   | 4.8  | 4.6      | 2.9  | -4.7  | 3.8   |
| Inventory change (bln '09\$) | 75.6     | 21.5     | -80.9 | -287.0 | -184.0   | -1.0   | 12.0 | 5.5      | 0.0  | 5.0  | 2.5      | 16.0  | 16.0 | 16.0     | 48.5 | -89.2 | 100.0 |
| Total gov't spending         | 3.8      | 2.3      | 1.3   | 2.5    | 1.9      | -4.5   | 1.0  | -1.7     | 0.5  | 1.0  | 0.8      | 1.5   | 2.4  | 2.0      | 2.3  | 1.3   | 0.4   |
| Exports                      | -1.3     | 2.1      | -9.5  | -64.4  | -36.9    | 59.7   | 9.1  | 34.4     | 3.0  | 5.1  | 4.0      | 7.1   | 5.1  | 6.1      | -0.1 | -13.6 | 3.5   |
| Imports                      | -0.2     | -3.5     | -15.0 | -54.1  | -34.5    | 91.1   | 10.1 | 50.6     | 5.6  | 5.1  | 5.3      | 6.1   | 4.5  | 5.3      | 1.1  | -10.4 | 8.4   |
| Unemployment rate            | 3.8      | 3.6      | 3.8   | 13.0   | 8.4      | 8.8    | 7.0  | 7.9      | 7.0  | 6.6  | 6.8      | 6.0   | 5.5  | 5.7      | 3.7  | 8.2   | 6.3   |
| CPI inflation                | 2.0      | 2.1      | 1.2   | -3.5   | -1.2     | 5.2    | 2.0  | 3.6      | 1.0  | 1.4  | 1.2      | 1.4   | 1.4  | 1.4      | 1.8  | 1.2   | 1.6   |

\*Actual

Note: All values are quarter-over-quarter, seasonally adjusted annualized rates (SAAR) unless otherwise noted

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The Conference Board



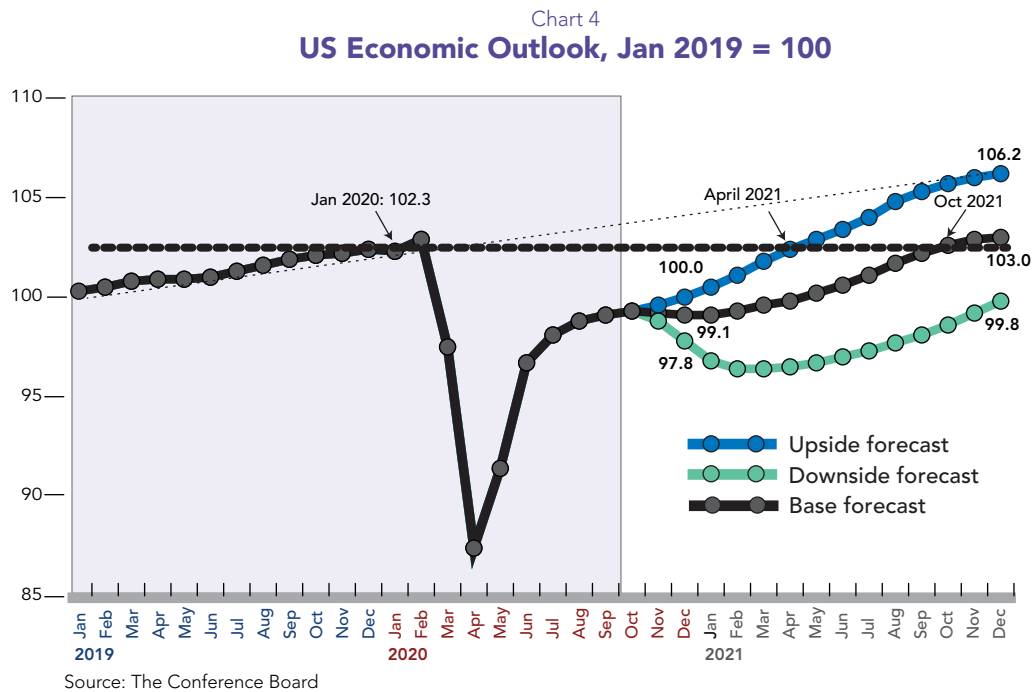


**3 Federal stimulus needed for recovery** Because of the enormous uncertainty in the economy and public health, with vastly different impacts possible, The Conference Board has three different scenario paths for growth—a base, an upside, and a downside. It is important to highlight that federal stimulus is assumed in the base and the upside, but not in the downside.

- **Base Scenario**
  - New cases of COVID-19 rise in 4Q20 / 1Q21, resulting in intermittent localized lockdowns
  - Limited improvement in labor markets and consumption through the end of 2020 / early 2021
  - US government implements limited stimulus in late 1Q21 and early 2Q21
  - COVID-19 vaccine approved in 4Q20, but no broad dissemination until 2Q21
  - US political transition does not result in a hit to consumer or business confidence
- **Upside Scenario**
  - New cases of COVID-19 level off in 4Q20 / 1Q21 and do not require any lockdowns
  - Meaningful improvements in unemployment are made and consumption continues to rebound
  - US government implements large stimulus in 1Q21
  - COVID-19 vaccine approved in 4Q20 and broad rollout begins in early 2021
  - US political transition does not result in a hit to consumer or business confidence



- Downside Scenario
  - New cases of COVID-19 rise precipitously in 4Q20 / 1Q21, resulting in broad lockdowns
  - Unemployment deteriorates and consumption growth begins to contract again
  - US government offers no additional stimulus in 2021
  - No COVID-19 vaccine approved in near term and not broadly available until later in 2021
  - US political transition highly disruptive and hurts consumer and business confidence

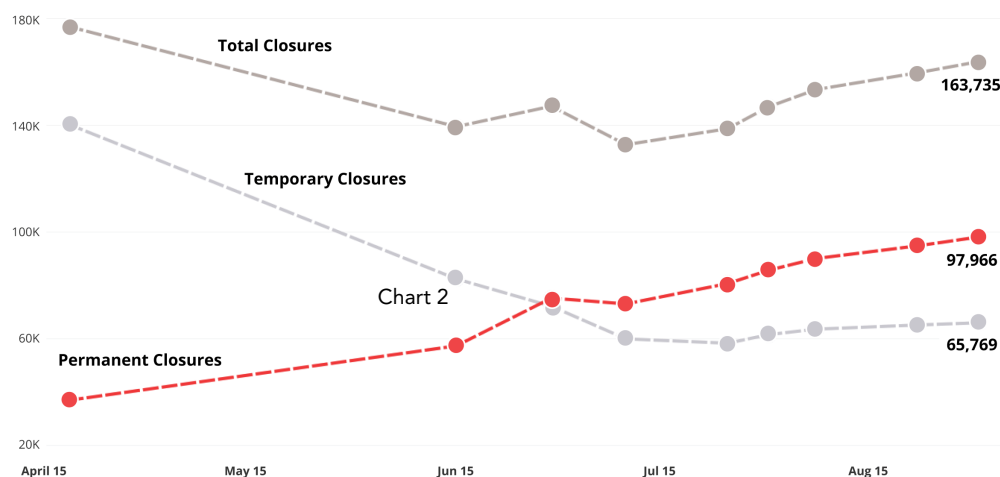


- 4 Small business most badly hurt** Small business is the engine of the US economy, producing 50 percent of its GDP and serving as an important source of innovation, employment (including women and minorities), and local growth and vibrancy. More than 97,966 businesses have permanently shut down during the pandemic, according to Yelp.com’s Local Economic Impact Report. Within the business sector, smaller, thinly capitalized firms that deliver services in person, including sole proprietorships, have suffered the greatest losses, while larger public and private corporations that have financial reserves or direct access to the capital markets have been able to continue, and in some sectors to prosper. Thus, while smaller businesses have closed in painful numbers, the stock market has risen to record highs—despite the economic downturn.

Chart 5

## Business Closures Continue to Increase Nationally

Number of businesses marked closed\* on Yelp that were open March 1



\*Among U.S. businesses that were open on March 1. A business was counted as closed if it was marked as permanently or temporarily closed, changed its hours to mark itself as closed for entire days, or included the word "closed" in the COVID-19 business updates section of its Yelp page.

Closures are updated through August 31. Data may lag actual closures because of time taken to report and verify closures.

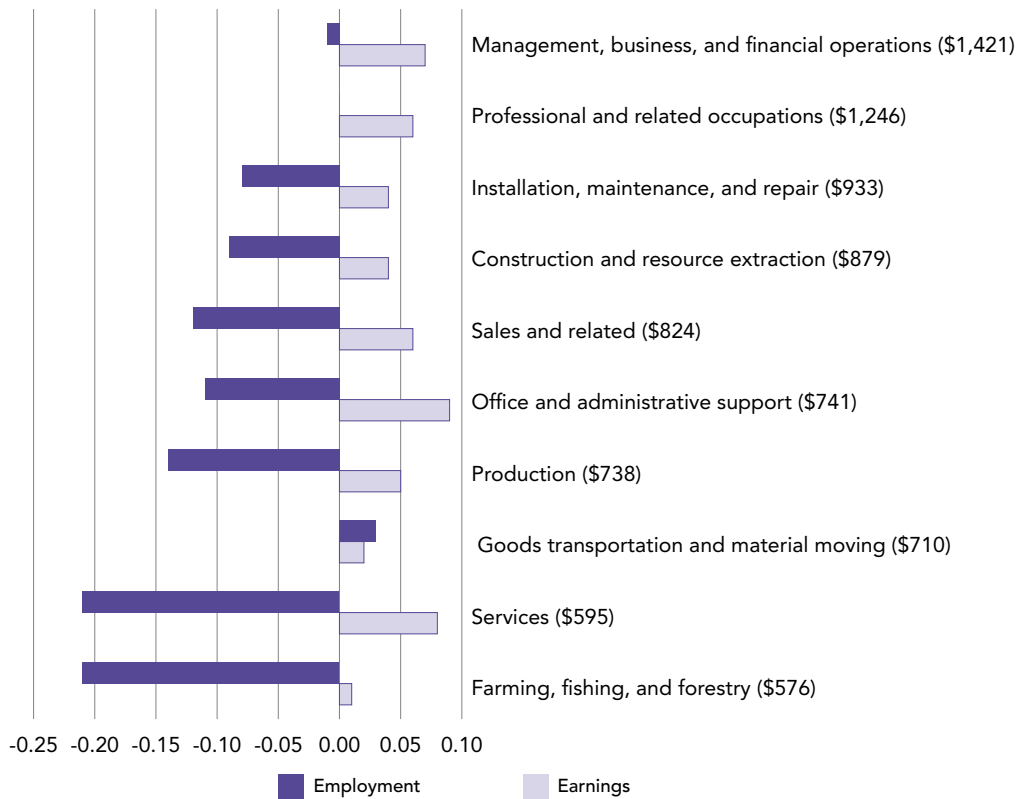
Source: Yelp  
Chart: The DataFace

- 5 Workers at low end of income scale hit hardest.** Generally speaking, workers who were already at the low end of the income scale, and therefore usually have the least financial reserves and resilience, have suffered the most job loss (as shown in Chart 6; the exception is workers in goods shipment, which has grown slightly because of greater remote shopping during the health crisis).

Hiring remains depressed in service industries such as entertainment, travel, lodging, full-service restaurants, and child care, which continue to suffer under social distancing. Furthermore, state and local government revenue shortfalls due to the pandemic have led to continued job cuts in the public sector, especially in education.

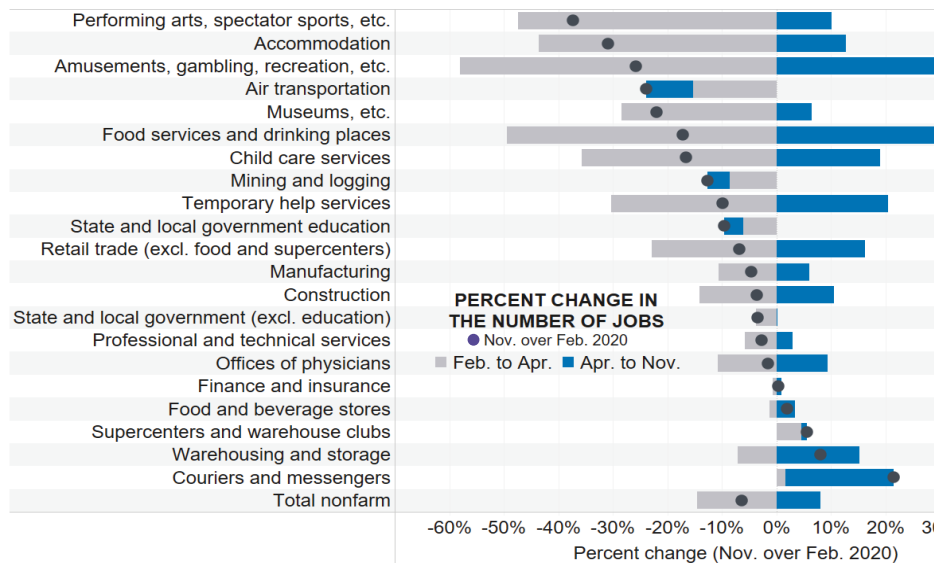
Yet certain sectors are recovering faster than others. Consumption of goods, especially durable goods, has been booming. This has resulted in better-than-average employment growth in industries related to the production, storage, sales, and delivery of goods, with retail as an exception. The surprisingly strong activity in residential real estate, partly due to historically low interest rates, led to an unusually small drop in construction employment in this downturn. Finally, deepening home-centric lifestyles have fueled employment in grocery stores and supercenters, and the ability to work from home has saved many professional jobs.

Chart 6  
**Changes in median usual weekly earnings and employment by occupation, ranked from high to low earnings**



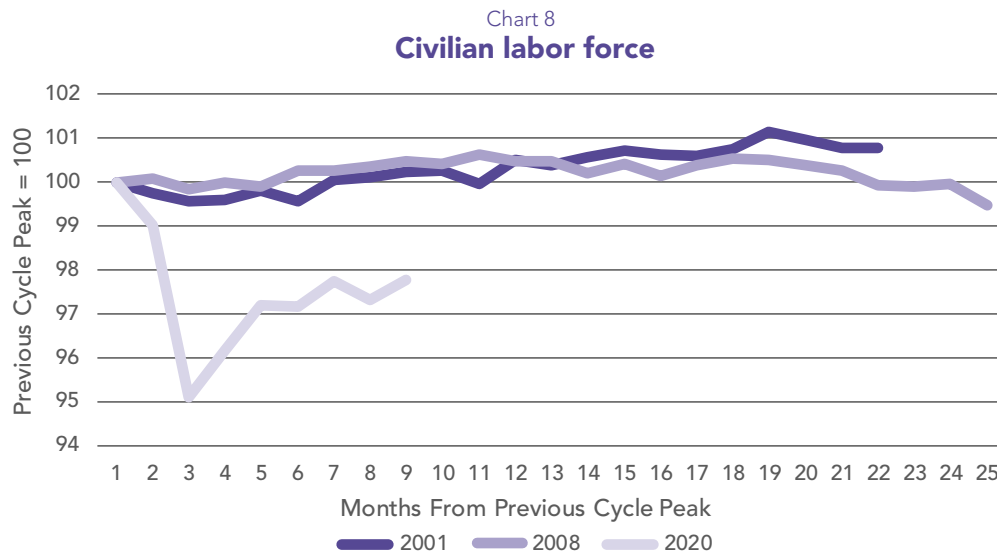
Source: Bureau of Labor Statistics

Chart 7  
**Percent change in the number of jobs**  
 November over February 2020



Source: The Conference Board

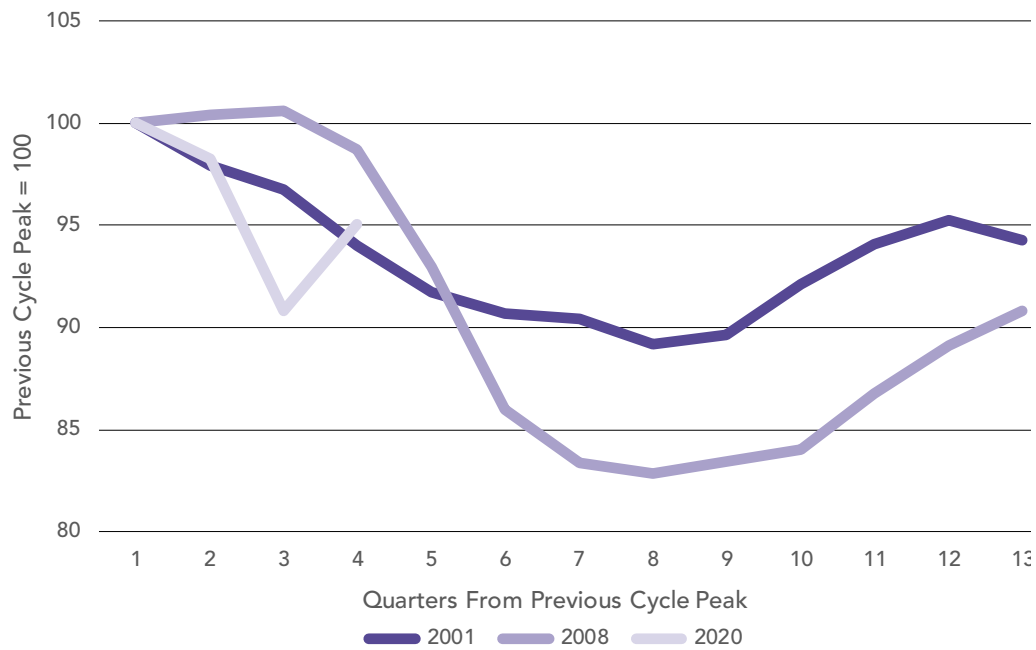
- 6 Labor force will be smaller and weaker.** Along with simple unemployment, early data indicate that some workers—particularly older workers and women—who either have lost their jobs and face bleak prospects of finding new work, or have lost child care, have simply left the labor force. Many older workers have retired before they had planned or hoped. Furthermore, even idled workers who try to return to the labor force later can lose their skills, as well as their connections to work habits and employment opportunities. And the pandemic also has interrupted immigration that had augmented our labor force for many years, compensating in part for the slowing rate of growth of the native-born population.



Source: Bureau of Labor Statistics

- 7 Education of future workforce badly disrupted.** Today's students—tomorrow's workers—are adversely affected as well. Although the interruption caused by the pandemic is arguably less severe than recent past educational disruptions such as natural disasters, and the technology for remote learning has clearly advanced over time, there is evidence today that some students have not been fully engaged in remote learning opportunities for various reasons: lack of broadband connections; lack of internet devices or the expertise to use them in the home; insufficient supervision; and the withdrawal of needed food, medical care, or guidance and encouragement that in-person attendance at school provided.
- 8 Supply of capital reduced.** In addition to reducing the economy's supply of labor, the pandemic also has reduced its supply of productive capital. The collapse of consumer demand and the disruption of supply chains has reduced investment enormously—much more rapidly than in other recent economic downturns, even the Great Recession (see Chart 9). Meanwhile, some existing capital has been obsoleted by the pandemic and taken out of service, at least temporarily (see Chart 10). For example, large numbers of passenger aircraft that had been expected to remain in operation have been "mothballed" and stored in remote locations, unlikely to return to service anytime soon; cruise ships are affected as well. Some business observers expect reductions in the demand for retail and commercial office space. Both of those phenomena could reduce the demand for both public transit and private means of transportation.

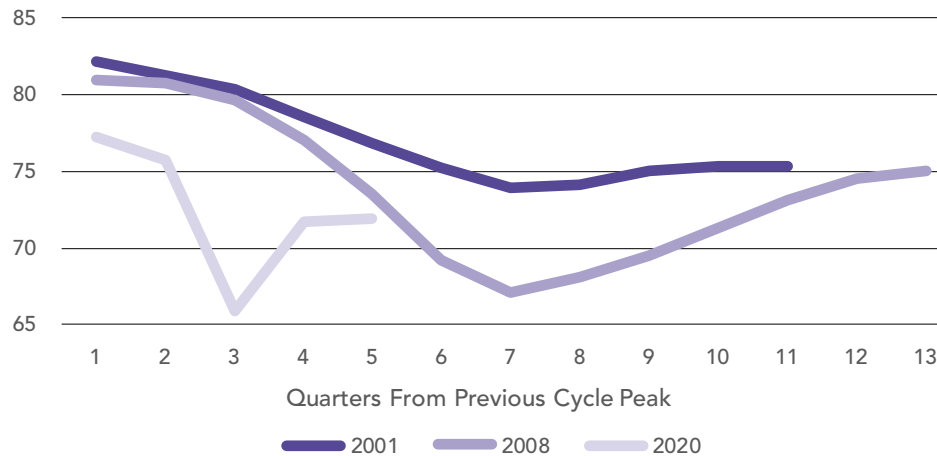
Chart 9  
**Nonresidential fixed investment**



Source: Bureau of Economic Analysis

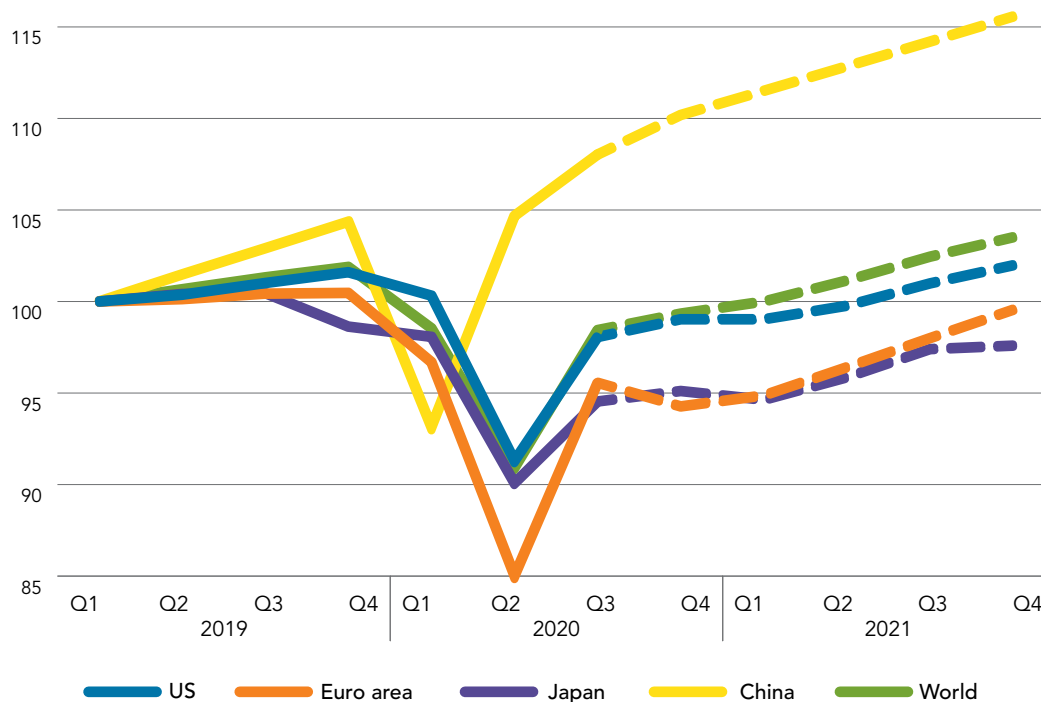
- 9 **China leading the global economic recovery.** China led the global economic recovery in the second quarter and is expected to be the only economy to grow in 2020 (see Chart 11). And Asia overall has been achieving a strong export-led recovery. An economically rejuvenated China will present even further challenges to US geostrategic interests and global alliances and put more pressure on US-China trade policy.

Chart 10  
**Capacity utilization: Total index**



Source: FRED-Federal Reserve Bank of St. Louis

Chart 11  
**China leading the global economic recovery since 2020 Q2**  
 Real GDP (index 2018 Q1=100)



Notes: Quarterly GDP data for China are based on official data rather than alternative annual GDP growth data utilized in the Global Economic Outlook.

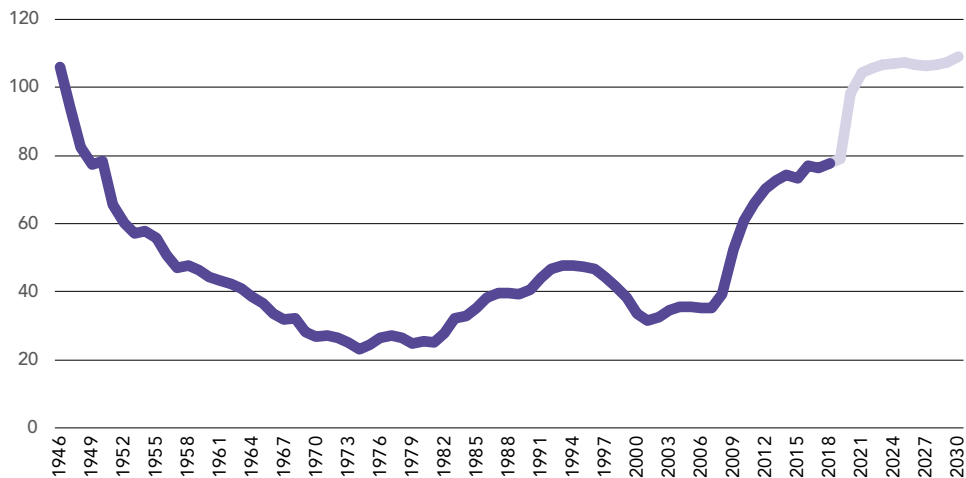
Source: Global Economic Outlook 2021 (December 2020)

**10 The debt burden** Meanwhile, the enormous hit on the budgets of federal, state, and local governments, and the resulting increasing debt burdens, must be redressed sooner or later. At the very least, state and local governments will be much less capable of responding to any further emergency. The federal government's public debt will impose an enormous weight on all manner of government activity (because state and local governments rely on federal grants; see Chart 12). All of these factors will weigh on future economic growth.

**11 Opportunities arising from the crisis.** Every challenge has an upside. And surely this pandemic will be in some respects the necessity that is the mother of invention. New modes of development of pharmaceuticals and vaccines seem on the brink of yielding earlier successes than ever imagined. The integration of technology into the economy has been accelerated much faster than previously anticipated, with better remote work and education platforms being developed. Such innovations will have rewards of their own, plus unpredictable and unexpected side benefits. But this pandemic was not a value-increasing innovation that had unfortunate though limited side effects, but rather a catastrophe that itself first destroyed lives, enterprises, and jobs, and then left innovators to try to make the best of the charred remains. Time will tell what further innovations will arise from competitive pressure in the pandemic, and what unexpected and unintended benefits those innovations will yield. Business

and public policy leaders must work collaboratively to take advantage of the opportunities so that they make us better off on net when the direct and immediate costs of the pandemic are taken into account.

Chart 12  
**Debt as a percentage of GDP**  
Federal Debt Held by the Public



Source: Office of Management and Budget

## POLICY TO DEFEAT THE PANDEMIC, REOPEN THE ECONOMY, AND LEAD THE NATION TO PROSPERITY

### Task 1: Defeat the COVID-19 pandemic

Until the coronavirus is defeated, the economy will remain hobbled—and Americans lives and livelihoods will continue to be at risk. Measures to address today's challenges and prepare us better for future crises include:

- 1 Build public awareness of and consensus on the need for good public health practices, among households, localities, and states.
- 2 Continue to develop vaccines and therapeutic drugs robustly, with safety, efficacy, and transparency as the highest priorities. Make the vaccine widely available, as soon as possible. There is little market incentive for advance development of potential wide-ranging antiviral vaccines or therapeutics that can treat multiple types of viruses; therefore, pharmaceutical preparation for the next pandemic needs to be funded.
- 3 Build adequate stocks of PPE. We must not leave our health care providers unprotected. Develop adequate supply for the current spread, and then restock and maintain the Strategic National Stockpile against the prospect of a continuing pandemic and any future one.
  - a Develop protocols for allocation where supplies are most needed.



- b Justifiable management of the broader market in an emergency can include purchase by a single government buyer at fair market prices, and, if necessary, invocation of the Defense Production Act (DPA).
  - c The stockpile should cover immediate emergency national needs, before surge production can begin, and beyond what private institutions and states can be asked to fund, store, and maintain.
  - d Scenario plans must be shared, and cooperation among states and institutions should be encouraged, but public investment must strengthen low-resource institutions that serve poor and vulnerable populations.
- 4 Assess emergency PPE supply chains in detail to attain secure and redundant sources. The US must have supply-chain redundancy and flexibility for surge capacity once a worldwide alarm is sounded.
- 5 Engage in regional contingency planning to provide adequate hospital capacity.
- 6 Provide emergency regulatory relief as necessary. Key areas for regulatory flexibility include temporary hospital expansion, use of personnel to the highest levels of their training, telehealth, and emergency use of pharmaceuticals. Regulatory changes should be carefully reviewed and perhaps made contingent for future emergencies.
- 7 Develop public health infrastructure and a skilled workforce. This is a critical long-term need to provide the needed care and resources to the most vulnerable populations.
- 8 Increase testing capacity, the quality and reliability of point-of-contact testing, and tracking and tracing capacity, including a skilled public health workforce, to contain the virus after other public health measures blunt the current rapid spread. Build isolation capacity immediately and for the future.
- 9 Lead the development of international cooperation with constant information flow around the world. Establish stronger health certifications for international travel.
- 10 Establish a bipartisan commission immediately to help determine public health lessons learned from the pandemic, and to apply those lessons to the continuing effort to defeat this pandemic as well as future episodes.

## Task 2: Extend short-term COVID-19 relief and stimulus

The priorities for immediate relief and recovery, which have the greatest urgency during a lame-duck congressional session or immediately thereafter, include:

- 1 **Strengthen unemployment compensation.** To stimulate the economy and assist the millions of Americans hit hardest, prepandemic unemployment compensation should be augmented. This could be accomplished by reinstating Federal Pandemic Unemployment Compensation (FPUC) at 45 percent of prior wages (with a maximum benefit of \$500 per week) continued through 2021. Thereafter,

benefits should gradually phase down as each state's unemployment rate falls below 7 percent. The Pandemic Emergency Unemployment Compensation (PEUC) and Pandemic Unemployment Assistance (PUA) should remain in place through 2021, with a phaseout similar to that of the FPUC. Provisions for emergency access to Individual Retirement Accounts like those in the CARES Act should be extended. Additionally, eligibility criteria for the Supplemental Nutrition Assistance Program (SNAP) should be temporarily loosened through 2021, and the immediate emergency needs of food banks should be met by the US Department of Agriculture (USDA) without administrative red tape. Eviction- and foreclosure-prevention for the approximately 3 million households at risk of losing their housing can be addressed via a block grant program that avoids duplication of assistance from other sources like unemployment compensation.

- 2 **Strengthen health care system to address most immediate needs of the surging virus.** CED believes that much more needs to be done to place the nation's health care system on a sound footing so that it can deal with patients in the current or any subsequent wave of infections, with adequate supplies of beds, medical equipment, and PPE, as well as aggressive testing, contact tracing, new treatments, and vaccine development. We recommend that further funding be appropriated for these purposes and allocated by the Department of Health and Human Services (HHS) as was done under the CARES Act. Funding should address the worsening of the wide range of health issues, including those that arise from mental health and homelessness, caused by the pandemic.
- 3 **Aid states and municipalities.** CED recommends an approach that would avoid windfalls to states and localities that have not been fiscally prudent in the past, to facilitate essential and urgently needed agreement. States and municipalities are facing higher health care and pandemic costs and growing demands to meet the needs of their citizens, while also experiencing huge revenue losses due to lower economic activity. State and local government spending cuts will detract from federal stimulus and slow the recovery (as they did during the 2008 financial crisis and its aftermath), as well as disrupt essential services at the worst of the pandemic. To avoid such self-inflicted wounds, the federal government should replace any shortfall in combined state and local tax revenues until they return to population- and inflation-adjusted fiscal year 2019 levels.
- 4 **Reform education: early learning, child care, K-12 thru postsecondary.** An additional block grant to the states should target the costs of fighting the virus, especially the higher costs of delivering safe, accessible, quality education from K-12 through postsecondary education and training. CED urges creation of a child care stabilization fund to ensure that families have access to safe, high-quality child care to support a return to work and to provide a learning setting for children that builds the foundation for success in school and later in life.
- 5 **Extend reach of Paycheck Protection Program to smaller, especially minority-owned, businesses.** Recognizing that the initial, short-term approach of maintaining business payrolls needs to be adapted to support business efforts to adjust and innovate for the post-COVID-19 economy, CED recommends that the PPP be renewed, but with greater outreach to the smallest of the small

businesses. PPP loans less than \$150,000 that have already been originated should be automatically forgiven, which would forgive 80 percent of the loans (and therefore the paperwork) but only 20 percent of the funding.

- 6 **Limit COVID-19 infection liability.** Businesses should be liable for negligent or malicious actions, but Congress should provide liability relief to those that act in good faith to allow for orderly reopening.

### Task 3: Rebuild the economy for the next normal, a 100-day plan

We must get Americans back to work safely and boost our nation's productivity to restore America's living standards and retain world leadership. To realize these objectives, CED recommends the following legislative initiatives for the administration's first 100 days:

- 1 **Enact an infrastructure program, including extending broadband access, to make the US economy more productive and competitive while creating new jobs.** Even before the pandemic, by many measures, the US was handicapped against its foreign competitors due to aging and inefficient infrastructure. An urgent reminder is the painful need for extension of broadband service. Around 24 million US households lack access to reliable, affordable, high-speed internet, and 80 percent of those households are in rural areas. They can be reached through incentives to the private sector, which must reach beyond the service "backbone" to the "last mile" connection to currently unserved individuals and businesses. Beyond that, CED recommends additional funding for the federal government and states and localities to maintain their existing infrastructure programs. Keeping existing programs on track is the quickest, simplest, and most efficient way to get the economy back in step. A second component of that process should be funding the US highway program, which is under threat from a long-standing revenue shortfall. However, the nation needs a carefully planned ramp-up of a comprehensive infrastructure program that addresses both new requirements and continuous repair and renewal. Smart infrastructure investments require careful planning and adherence to credible cost-benefit analysis that is future oriented, considering issues of resiliency and climate risk as well as how technology has changed infrastructure needs. The infrastructure program should be a combination of federal and state projects, with creative use of public-private sector partnerships where they are appropriate.
- 2 **Create innovative training programs to prepare the American workforce for the post-COVID-19 economy.** Developing and refreshing the skills of US workers to meet the changing demands of fast-paced technological disruption was a top priority for business and public policy leaders even before the pandemic. With innovative programs, this current crisis that has idled so many workers can be turned into an opportunity to meet this training and upskilling challenge. For example, loosening the eligibility requirements for Pell Grants could allow unemployed workers to learn new skills in quality educational institutions. Grants to quality community colleges and quality trade schools could strengthen their capacity to provide courses, additional slots, and effective remote delivery during the remaining days of the pandemic and beyond. Tax incentives can be given to

businesses to continue education and training benefits for their furloughed or reduced-hour workers, or to initiate those benefits as part of a furlough package. The federal government should encourage public-private collaboration to align training programs with new job skills.

- 3 Develop the future workforce: revitalize postsecondary education and training for the post-COVID-19 economy.** We need a more responsive postsecondary education and training ecosystem recognizing competency and skills to provide broader, more affordable access; improve career outcomes (including without postsecondary degrees); and meet the evolving needs of business. This ecosystem includes innovation in postsecondary education—using flexibilities and rigorous evaluation, prioritizing measures of learning above measures of time to help nurture, test, and spread new models of affordable, broad-access education and training. Legislation and regulation must be updated to support the most promising and effective approaches. We must encourage private-sector collaboration to ensure that postsecondary education and training providers are aligning their offerings with marketable, in-demand job skills that will improve students’ and trainees’ employment outcomes. CED suggests incentivizing collaboration through measures such as grants to strengthen institutional quality and capacity at community colleges that engage in private sector partnerships, as well as incentivizing employers to upskill their employees, especially low- and middle-wage employees, through measures such as tax credits.
- 4 Capitalize on the need for a workforce infrastructure for both personal health care and public health.** This challenge is also an enormous opportunity for training in new skills. And employers should further advance policies and practices that propel students to complete additional postsecondary education and training.
- 5 Reform K-12 education: it is overdue.** The US must strengthen K-12 education to improve the college and career readiness of all students, ensuring that the US economy can reach its full potential. This should include providing K-12 students with opportunities to learn and practice in-demand skills as part of the standard curriculum, and supporting high-quality career guidance that is informed by up-to-date labor market realities.
- 6 Bolster the child care industry and strengthen early care and education.** High-quality child care and public-supported pre-K must be seen as a public good and an integral part of education, workforce preparation, and parent workforce participation. All children, especially the most disadvantaged, need high-quality early learning opportunities from birth. This requires sustainable financing for affordable access to high-quality child care and public pre-K. The federal government should encourage and help states to reward professional training for teachers and to modernize child care regulations to deliver quality and encourage innovation.
- 7 Advance technology, innovation, and R&D investment to lead the way to economic recovery.** We must remove unnecessary roadblocks to effective adoption of digital tools to improve remote work, medicine, and learning, while

protecting data privacy. That will require replacing outdated public-sector IT systems to increase flexibility and reliability in providing relief and serving families and businesses. Cybersecurity must be established and maintained, including security from disinformation and misinformation. The nation must invest in science, technology, and research & development, attacking roadblocks to progress in the most important fields (such as zero-carbon energy) without “picking winners”—investing in ideas and technologies, not in products. And federal policy must encourage business investment.

- 8 **Use smart regulation to grow the post-COVID-19 economy.** The US needs a smart regulatory framework that can respond nimbly to an unpredictable and ever-changing landscape to facilitate longer-term economic growth. Regulators must continuously review and revise regulation to ensure that it continues to achieve its objectives, and weigh costs and benefits in a rapidly changing environment. Regulators should be conscious of “regulatory overload” on small business and consider the effect of incremental additions to an existing regulatory burden. Where possible, “safe harbors” should be created to provide flexibility for small business. Regulators should minimize compliance costs and carefully review whether particular regulatory waivers issued during the crisis—such as in the field of pharmaceuticals, particularly regarding the search for drug treatments and vaccines—should remain permanent.
- 9 **Provide more innovative and responsive support for small business.** While protecting payrolls is an important short-term approach to the crisis, policy support should begin to focus on longer-term goals of supporting small-business innovation and adaptation to a new post-COVID-19, technology-based economy.
- 10 **Make smart trade policy with China, and with the rest of the world.** Smart trade relations are important to expand the US economy’s innovation potential, and US trade relations with China are central to that effort. To be globally competitive, the US needs to reengage with China and assess US economic and security interests to achieve a mutually beneficial economic relationship—a constructive, though surely competitive, relationship that mitigates risk and avoids unnecessary conflict. Perhaps most importantly, we must reestablish our alliances with free-market countries around the world to prevent China from exploiting a “divide-and-conquer” strategy. We must unite the world trading community to repair, update, and upgrade the World Trade Organization and related systems, and hold China to WTO global standards—which include opening its borders to foreign direct investment and imported goods and services—and reexamine antimonopoly rules that prevent industries from standing as one against China’s demands to transfer technology in exchange for market access. We and our allies must treat IP theft and forced technology transfers as crossing “red lines” that result in severe economic penalties.

## Task 4: Put the federal government on sound fiscal footing

Now, in an economic downturn of unprecedented character and proportions, is not the time to address the unsustainable federal budget posture. But it is not too early to take the measure of the problem and to map out a strategy to solve it.

- 1 **Contain the cost of the pandemic and pay for the recovery.** The federal government has—necessarily—incurred substantial costs to keep the economy afloat. Simply adding that debt to the record levels that were already anticipated as of the next few years creates a seemingly unbearable burden. But there is a better, more manageable approach. The federal government should segregate the debt incurred through recovery costs from the normal government finances. The pandemic debt can be put into a single separate financial entity, organized as a public corporation, and financed with bonds of the longest maturity—a 40- or even 50-year maturity if possible. Although the longer maturities will entail higher interest rates, those interest rates will be fixed—which will demonstrate stability to the financial markets. Furthermore, the interest costs on the pandemic debt, viewed separately, will be clearly defined and clearly manageable—in stark contrast to the aggregated total debt, which is daunting in the extreme. And then we should pay that pandemic interest cost and gradually redeem those bonds through an addition to current revenues—a tax increase—that would be cleanly and irrevocably segregated from other revenues. With the pandemic debt isolated and controlled, the remaining task of attaining fiscal stability will be more manageable.
- 2 **Conquer the pre-COVID-19 explosion of federal debt.** Even before the pandemic, the public debt burden was projected to surpass all historical records, and the public debt was growing faster than the economy out of which it must be serviced. That is not sustainable, and it must be reversed. As a first step, CED recommends a bipartisan agreement on the maximum acceptable level of the public debt as a percentage of the GDP (setting aside the debt attributable solely to the response to the pandemic), to be followed by negotiations to obey that limit. The federal budget and debt problem is rooted in the rising cost of delivering health care to each individual patient and citizen, beyond the costs of caring for an aging population. CED proposes that every American—regardless of income—have coverage, through a cost-responsible choice among competing private health care plans. Reform is also needed in the US income tax, following the model of the 1986 Tax Reform Act to raise adequate revenue by eliminating tax preferences, and to provide stability and predictability through bipartisan buy-in. Social Security is rapidly exhausting its trust fund, and forcing the Treasury to borrow heavily from the public to pay its benefits; its self-financing must be strengthened to recognize the status of those seniors who are longer living, healthy, and affluent, while providing greater protection for those seniors who are the least well-off.

## SUSTAINING CAPITALISM

Achieving prosperity for all Americans could not be more urgent. Although the United States remains the most prosperous nation on earth, millions of our citizens are losing faith in the American dream of upward mobility, and in American-style capitalism itself. This crisis of confidence has widened the divide afflicting American politics and cries out for reasoned solutions in the nation's interest to provide prosperity for all Americans and make capitalism sustainable for generations to come. In 1942, the founders of the Committee for Economic Development (CED), our nation's leading CEOs, took on the immense challenge of creating a rules-based post-war economic order. Their leadership and selfless efforts helped give the United States and the world the Marshall Plan, the Bretton Woods Agreement, and the Employment Act of 1946. The challenges to our economic principles and democratic institutions now are equally important. So, in the spirit of its founding, CED, the public policy center of The Conference Board, will release a series of 2020 Solutions Briefs. These briefs will address today's critical issues, including health care, the future of work, education, technology and innovation, regulation, China and trade, infrastructure, inequality, and taxation.



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