



COMMITTEE FOR ECONOMIC DEVELOPMENT  
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March 20, 2020

President Donald J. Trump  
The White House  
1600 Pennsylvania Avenue  
Washington, DC 20500

CC: The Honorable Steven Mnuchin  
United States Secretary of the Treasury  
1500 Pennsylvania Avenue  
Washington, DC 20220

Dear President Trump,

On behalf of the Committee on Economic Development of The Conference Board, the non-profit, non-partisan business led think tank whose Trustees include over 160 current and former CEOs, we commend the action to date to address the COVID-19 crisis and its rapidly expanding detrimental impact on the health and economic well-being of all Americans, and urge that you continue to work expeditiously on a bipartisan basis. We also urge that the economic policy response focus on helping those Americans who have lost their livelihoods and minimizing further job loss.

The pandemic is potentially a more serious blow to the US economy than even the 2008 financial crisis, at least in the short term. Unlike in 2008, the primary impact of the economic shock is on consumer spending, which accounts for over two-thirds of the US economy. This raises serious concerns about the large and detrimental impact of the coronavirus. The shock to American workers has already been particularly acute. In a matter of weeks, the US economy has moved from the tightest labor market in 50 years, to major sectors laying off thousands of employees. The Labor Department has reported a 30 percent increase in unemployment claims last week, one of the largest spikes on record.

It is also a unique challenge in our economic history; neither the financial crisis nor any other economic downturn prepares us for it. We are writing the policy response playbook as the crisis unfolds. We must lock down major portions of our economy to halt the propagation of COVID-19, and then remove the shackles and reboot the economy quickly once we succeed. More than one-half of small businesses are reporting that they will not be able to survive three months, putting in serious jeopardy the ability for the economy to come back quickly. The task before us is monumental and can only be achieved through immediate, innovative policymaking and bipartisan cooperation.

The Committee for Economic Development (CED), the public policy center of The Conference Board, believes that success in this unprecedented trial requires that our nation's policymakers recognize three principles:

- First, the policy response must be fast, and sufficient in size and duration. The economic threat is potentially enormous. To convey full resolve and instill the public confidence that

must replace today's near panic, the US response must be proportionate to the threat – probably the largest in our nation's history, larger than the response to the financial crisis. Policymakers must remain vigilant and persist until the economy is solidly on the road to recovery.

- Second, the policy response must be flexible. The pandemic is supremely unpredictable. We do not yet have definitive signs of an end to the cycle of transmission in any affected society; but pandemics do end. Policymakers must constrain social activity long enough to end the propagation, but must free the economy once the risk is over – to allow people to earn their livings again as soon as possible, and to limit the accumulation of what is already an excessive public debt.
- And third, the policy response must be shaped to this unique threat. Unlike past economic shocks, this one hits first and hard at hand-to-hand service businesses, many, but not all, of which are small – although its impact is quickly spreading through independent workers and manufacturing to the rest of the economy. The first personal victims of this shock are hourly workers and small-scale entrepreneurs – generally people of modest means, with limited financial cushions on which to rest. The policy response must fully address the needs of these victims, although overall stimulus will certainly be needed. And while helping those displaced workers, we must keep employers alive and minimize job loss to emerge at the other end of this dark tunnel. This is far more complex than responding to a small number of large entities, as was the pattern in the financial crisis. Finally, this international pandemic demands US engagement and leadership.

Creativity and fresh thinking are essential. Policy tools that fit within these principles will include:

- compensation for workers who have lost jobs because of necessary social distancing;
- sick pay;
- general cash payments aimed primarily at people with modest incomes, to maintain consumer spending;
- additional food and medical care assistance where existing programs are not responsive to this unique economic shock;
- credit backstops for small employers; some targeted credit and tax relief for large affected industries (although taxpayers should receive equity warrants to reward them for the risks they assume);
- loan guarantees;
- Federal Reserve support to keep credit flowing;
- regulatory relief where it will maintain business activity and facilitate the delivery of assistance; and
- support for our health care system and its workers; neither can be allowed to break under the strain.

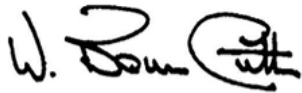
Our elected policymakers must act now, act together, and remain constructively engaged. The sooner that clear signals are sent to affected businesses, their displaced workers, customers and lenders, and financial markets broadly, the sooner that confidence can be restored. And nothing will undermine that confidence more than any return to partisan bickering and consequent delay, which will send a clear signal to those workers and their employers to abandon all hope.

And, once the crisis is past, it is imperative for policymakers to take steps to improve the fiscal health of the U.S. government. A 2030 debt/GDP ratio of 98% risks ruinous interest rates and a total loss of fiscal flexibility to deal with the next crisis that may arise.

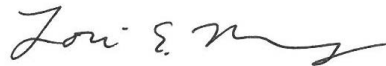
CED's founders, the nation's leading CEOs in 1942, took on the immense challenge of creating a rules-based economic order in the wake of the devastation of World War II. Their leadership and selfless effort helped give the United States and the world the Marshall Plan, the Bretton Woods Agreement and the 1946 Employment Act. The challenges to our economy and to the prosperity of all Americans are today equally important. It is in that spirit we are sharing our assessment and pledge to continue our efforts to help navigate this crisis.

This economy is a clear test of the stewards of our system of government. All citizens will be watching. In the hitherto enduring tradition of American statesmanship, together we must pass this test.

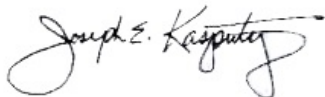
Respectfully,



W. Bowman Cutter  
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