The New Shape of Economic Crises and Insecurity: What Future Economic Security Policy Must Do

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Summary

The COVID-19 pandemic and ensuing market meltdown have awakened us to the new and perilous shapes that economic crises will take in the 21st century. They may be more frequent. They will often be far steeper. They will typically be global.

Two new types of all-encompassing economic insecurity have emerged. Both involve sudden and massive unemployment, dramatic loss of income, and much collateral damage: evictions, foreclosures, food shortages, unpaid utilities, and loss of health insurance. The difference? One type of economic collapse—like the COVID-19 Depression still unfolding—forbids putting most of the unemployed back to work immediately, since that will kill and sicken people. The second type of economic collapse—like the Great Recession of 2007-2009—by contrast demands that the unemployed get immediate help in finding paid work, since no damage to health results.

Both new types of economic insecurity join an also-new, subtler, version of economic insecurity that has stealthily crept upon us during the last 50 years. In both bad and good times, a growing share of workers—often lacking the legal status of employees as they slog through the "gig" economy as contractors or self-employed—face long stretches of underemployment, part-time work, unstable and unpredictable hours, volatile earnings and incomes, and a lack of health insurance or other benefits.

Meanwhile, old-fashioned economic insecurity—being laid off from a stable job, scraping by with a shrunken income, and then maybe getting the old job back or at least landing different stable employment—still hits certain segments of the labor force.

The public policies of the United States are incapable of coping with this four-dimensional problem. A new, comprehensive, and flexible policy package is needed to provide all American adults with the jobs, earnings, and other work-based benefits—in short, the stable economic security—they require.

The policy package should not be *ad hoc,* invented on the spur of the moment. It should not be full of gaps. It should not be complex or unfair. Rather, the United States needs a new economic security policy structure that has been put in place in advance, can rise to all occasions with sufficient resources, and meet people's needs in ways that are straightforward and fair.

Whether a sudden crisis pulverizes the labor market, or ongoing forces erode the labor market's dependability, the new U.S. public policy for tackling economic insecurity should stand ready to kick in— quickly and completely—whenever it is needed to guarantee America's adults a stable and adequate income.

I. The New Shape of Economic Crises: More Frequent, Steep, and Global

A. *Risk of More Frequent Crises*

There is evidence that massive market meltdowns are hitting more frequently. The gap between the Great Depression's nadir in 1933 and the Great Recession's onset in 2007 was 74 years. From the end of the Great Recession in 2009 to the onset of the COVID-19 crisis in the U.S. in 2020, it has been only 11 years.[1]

Maybe this is not a long-range pattern. But if this pattern continues, future crashes may occur much more frequently than in the past.

Shouldn't governments in the future be prepared for the risk of much more frequent meltdowns? Whether future recessions resemble those of the last half of the 20th century, or take a giant and frightening shape, preparation is in order.

B. Risk of Steeper Crisis

The Great Depression got worse and worse over several years. The Stock Market crash of 1929 may have launched it, but it took years for the US job market to hit rock bottom in 1933. By contrast, the loss of employment during the Great Recession of 2007-2009 was fairly rapid. And so far, the vanishing of jobs due to the current COVID-19 crisis has been stunning. Roughly 3 million workers filed first time claims for Unemployment Insurance (UI) benefits in one week; 6 million filed the next week; and another 6 million filed the following week. The total of UI claims in just a few weeks rose to more than 25 million. Who knows how many more will lose their jobs in the weeks to come? Some economists are predicting that the real unemployment rate has already risen from approximately 4% to 13% in just a few weeks.[2] Some experts have forecast much higher peak unemployment rates.[3]

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[1] There were of course periodic recessions between the end of Great Depression and the Great Recession of 2007-2009. Several had peak unemployment rates in excess of 7%. The recession of 1973-1975 had a peak unemployment rate of approximately 9.0%. The recession of 1981-1982 had a peak unemployment rate of 10.8%. What makes the Great Recession of 2007-2009 uniquely severe during the post-WWII era is that it not only had a peak unemployment rate of 10.0%, but also saw a dramatically higher long-term unemployment rate (i.e., unemployed for 27 weeks or longer) than prior economic downturns. The 1981-1982 recession was the only other with a long-term unemployment rate above 2%, i.e., 2.6%. By contrast, during the Great Recession of 2007-2009 the long-term unemployment rate soared to 4.4%. See Bureau of Labor Statistics, "The Recession of 2007-2009," *BLS Spotlight on Statistics,* February 2012, p. 2, https://www.bls.gov/spotlight/2012/recession/pdf/recession_bls_spotlight.pdf

[2] Justin Wolfers, "The Unemployment Rate Is Probably Around 13 Percent," *The New York Times,* April 3, 2020, updated April 16, 2020,

Again, this may not be a long-range pattern. But if the pattern continues, future crashes may again produce immediate, huge, and steep increases in the number of unemployed adults and shuttered businesses, even if the economic bottom does not sink as low as the Great Depression.

Shouldn't governments in the future also be prepared for the risk of faster, bigger, and steeper collapses in the labor market as they formulate their policies?

C. *Risk of a Simultaneous Worldwide Crisis*

The Great Depression did not hit so many populous nations all at once. It did not hit the biggest economies simultaneously. Within just a few weeks, however, COVID-19 has whacked the world's largest economies: China, the EU, the UK, the US, and Japan.

If this is correct, shouldn't the world's national governments be prepared in the future for the risk of simultaneous economic meltdowns—in essence: the risk of a giant, worldwide crash—as they formulate their policies?

II. The New Shape of Economic Insecurity

In light of what the COVID-19 plague is again teaching us about the economy's exposure to frequent, steep, and global increases in unemployment and income loss, we need to recognize that we now face three types of "new" economic insecurity. All three sit alongside the "old" economic insecurity that developed nation' policies were originally designed to counteract.

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https://www.nytimes.com/2020/04/03/upshot/coronavirus-jobless-rate-great-depression.html

[3] For example: (A) March 24, 2020, an economist at the Federal Reserve Bank of St. Louis prepared a "back of the envelope" projection that the unemployment rate would rise to 32% in the 2nd Quarter of 2020 (Miguel Faria-e-Castro, Economist, Federal Reserve Bank of St. Louis, "Back-of-the-Envelope Estimates of Next Quarter's Unemployment Rate," *On The Economy Blog*, March 24, 2020, https://www.stlouisfed.org/on-the-economy/2020/march/back-envelope-estimates-next-quarters-unemployment-rate. (B) Goldman Sachs at the end of March predicted a 15% unemployment rate by the middle of 2020. (See Julia Horowitz, CNN Business, "Goldman Sachs now expects US unemployment to hit 15%," *CNN Business,* March 31, 2020, https://www.cnn.com/2020/03/31/investing/premarket-stocks-trading/index.html. (C) JP Morgan in early April estimated a 20% unemployment rate in April 2020 (Sergei Klebnikov, "JPMorgan Forecasts 20% Unemployment And 40% Hit To Second-Quarter GDP," *Forbes*, April 10, 2020 (https://www.forbes.com/sites/sergeiklebnikov/2020/04/10/jpmorgan-forecasts-20-unemployment-and-40-hit-to-second-quarter-gdp/#3dfb26b74489).

A. First "New" Economic Insecurity: Labor Market Collapse and Business Devastation Caused by a Health Crisis That Prevents Almost All Unemployed Worker from Returning to Work

As the COVID-19 pandemic makes clear, nations may now experience frequent, steep, and global increases in unemployment and earned income due to a deadly virus (or other virulent, rapidly spreading, infectious disease). This will require requires millions of workers to stop working suddenly, and compel hundreds of thousands of businesses to close or contract promptly, in order to safeguard lives and preserve health.

To avoid further spread of the disease, it also obligatory for governments to prevent unemployed people from working except at home or in essential occupations. With limited exceptions, the option of offering unemployed adults the opportunity to work in temporary, wage-paying Transitional Jobs until the economy revives sufficiently to re-absorb them is no more acceptable than letting the unemployed return to their old jobs before the plague ends.

During the Great Depression of the 1930s, millions of laid-off American adults took up fallback jobs offered by the Civilian Conservation Corps (CCC), Civil Works Administration (CWA), and Public Works Administration (WPA). Their temporary employment did not risk the worsening of a health catastrophe. Towards the end and following the Great Recession of 2007-2009, a program of federally subsidized Transitional Jobs (TJs) was also possible because such paid work did not threaten the spread of a deadly illness.

What is so new about this economic disaster caused by the COVID-19 pandemic is not the lightning pace at which the unemployment roles have soared and jobs have disappeared. What is new is that, perhaps for the only time in modern history (or maybe any history), the immediate response to massive unemployment *cannot* be re-employment. It is absolutely necessary for most of the unemployed to *avoid* going back to work for many weeks—maybe several months—to prevent the spread and prolongation of the COVID-19 crisis, avert more illness, and stop people from dying.

During the Great Depression, getting the unemployed back to work, and quickly, was the primary goal. As FDR said in his 1933 Inaugural Address:

> Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the Government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources.

In 1933, putting people to work was also an *immediate* goal. There was no reason to delay it. Indeed, on March 21, only 17 days after his inauguration, FDR asked Congress to create the Civilian Conservation Corps (CCC). Congress passed the necessary law, and

FDR signed it, 10 days later. Within a month, the first CCC camp—Camp Roosevelt in the George Washington National Forest near Luray, Virginia—began operation. Within a few months, FDR directed Harry Hopkins to create the Civil Works Administration (CWA), which hired 4.2 million workers.

But during the COVID-19 crisis, it would be policy disaster to try *quickly* to get millions of the unemployed back to work. They must wait; they must delay for weeks ; they may need to avoid the labor market for months.

It may be possible to create a limited TJ program that does not expose the workers to health risks by offering them jobs at home or in settings that allow for the use of face masks and social distancing. Some of these jobs might indeed involve the promotion of public health goals, e.g., calling people to urge them to stay at home if possible, wear face masks in public, and keep their distance from others. Proper oversight of such a limited TJ program, however, will be a challenge. Moreover, it is unlikely that such a limited program could provide more than a small share of the temporary jobs needed in an economic crisis. In short, paid work in Transitional Jobs can play only a small role until the plague ends.

Surely, this is a "new" type of economic insecurity. Indeed, millions of workers, for the first time in memory, are facing an entirely novel quadruple-whammy of economic insecurity. First, they have lost their jobs and a big part of their income. Second, they cannot search for jobs in the regular economy and try to regain their incomes. That would violate legal—certainly ethical—requirements to "shelter in place," practice "social distancing," and protect public health. Third, the unemployed have no idea *when* it will be permissible to try to get their old jobs back or seek different ones. Fourth, even if they are offered jobs, they cannot take most jobs as long as the health epidemic endures. Doing so would (again) violate legal and ethical requirements to stay home and keep apart. Each barrier to re-employment is a source of individual and family stress, potential mental health problems, and possible physical health problems. The totality of all these overlapping consequences of economic insecurity exceeds the sum of the parts.

B. Second "New" Economic Insecurity: Labor Market Collapse and Business Devastation Caused by Financial Meltdown

Under this scenario exemplified by the Great Recession of 2007-2009, nations experience a rapid, steep, and huge increase in unemployment and earned income due to a cause *other than* a deadly virus (or other virulent, rapidly spreading, infectious disease), such as a banking system freeze or other financial sector breakdown.

As with the first type of "new" economic insecurity, this economic catastrophe involves millions of workers quickly losing their jobs. It also involves hundreds of thousands of businesses rapidly shutting down or shrinking in size.

But unlike the first scenario, no health risk forbids governments from a program that offers laid-off workers wage-paying jobs until the economy recovers and the labor market reabsorbs most of them. Nor does a health threat impede other government measures to resuscitate businesses. Unemployed and underemployed workers could safely be hired to perform temporary Transitional Jobs pending their movement into better-paying, permanent employment in the regular labor market. Imperiled businesses could likewise be propped up without threatening anybody's health.

It can be argued that this second “new” type of economic insecurity is not really new. The Great Depression set a precedent. The economic cataclysm it produced was truly new. So by definition are not the smaller versions that followed “old”?

If we take a very long view of American history, this conclusion is correct. Since the 1930s, neither the Great Recession of 2007-2009, nor future large-scale collapses of the labor market arising from a financial meltdown, can be seen as “new.”

Yet it is also true that, after the Great Depression and the New Deal's creation of specific federal policies—and clear federal responsibility—for counteracting massive and widespread unemployment, the U.S. has not seen anything like the Great Depression for 75 years. A large share of those who were adults in the 1930s when the Great Depression hit did not live to experience the Great Recession. Indeed, many of their children—even some of their grandchildren—passed away before the Great Recession struck in 2007. Seven straight decades of U.S. freedom from a massive and long-lasting economic collapse persuaded many Americans, including some experts and perhaps even a smattering of economists, that we would *never* again suffer anything close to the Great Depression again.

Then came the Great Recession of 2007-2009. A rapid and relentless rise in official unemployment increased the number of jobless from 7 million to 15 million. Other categories of unemployment and underemployment rose in parallel fashion. The rate of long-term unemployment (27 weeks or more) rose to new and shocking height. The crisis would have grown far worse but for the measures adopted by the Obama Administration and Federal Reserve.

Compared to what happened during the Great Depression from 1928 to 1933 (and beyond), the impact of the 2007-2009 Great Recession on jobs and income was much less severe. Its devastation was less thanks in part to the nation’s Unemployment Insurance system and other New Deal measures for counteracting the “hazards and vicissitudes” of life. Nonetheless, Americans were stunned. Our confidence in our economic system—particularly the federal government’s ability to foresee and forestall economic collapse—was badly shaken. The *experience* of such a debacle sweeping across the American landscape was new.

In short, while it is fair to say objectively that the Great Recession was not new, the economic collapse it created (and the worse collapse that the US was on the brink of suffering) was an entirely new experience for the overwhelming majority of living

Americans, including all the young, all the middle-aged, and at least half of seniors. The contrast between objective repetition and subjective novelty calls to mind the lines in Shakespeare's *The Tempest* that distinguish between the reality and experience of an event. Seeing people she never saw before, Miranda bursts out: "Oh, wonder!/How many goodly creatures are there here!/ How beauteous mankind is! O brave new world, That has such people in 't!" Her father Prospero replies "'Tis new to thee."

The second "new" type of economic insecurity—a labor market collapse caused by a financial meltdown—is new in Miranda's sense. It is new to us. We only recently experienced it in 2007-2009, just over a decade ago.

C. Third "New" Economic Insecurity: Job and Income Instability Due to the "New Normal" Market Structure

Up until the sudden emergence of the COVID-19 crisis, a third type of "new" economic security has drawn the most attention in academic, think tank, and policy making circles.

The transformation of the United States' and other nations' market economies, under the pressure of both intensely competitive international trade and highly disruptive technology, has subjected a growing body of American adults to this third "new" type of economic insecurity.

Unlike the first and second scenarios, however, this third "new" form of economic insecurity does not result from the collapse of the labor market or other meltdown in the overall economy. Nor does it subside once the crises ends and the economy returns to normal. It is not an acute illness, but rather a chronic condition. It is always with us.

Over the last 40 years, in *both* difficult economic times *and* flourishing economic conditions, more and more American adults have been left out of the traditional labor market of stable jobs, steady 40-hour work weeks, predictable and rising pay, and good benefits. Instead, they hold jobs that are one or more of the following:

- Not classified as work by an "employee" for an "employer";
- Part-time;
- Subject to volatile schedules and unpredictable hours;
- Incapable of producing a dependable stream of earnings and income;
- Low-paying;
- Bereft of health insurance and other traditional benefits; and
- Incompatible with saving money for retirement.

As the "gig" economy evolves, a large numbers of workers hold jobs that do not qualify as official employment. Instead, they are classified as contractors, consultants, or self-employed. In consequence, they lack the formal legal protections and benefits that attach to being defined as "employees" of an "employer."

For a significant number of these workers *and* a significant number of other adults who do qualify as legal employees, the jobs are part-time. In some cases, this is what the workers want. Often, however, the workers would love to have stable full-time positions, but their employers insist on part-time employment in order to give the employer greater flexibility or enable the employer to avoid health insurance coverage.

One consequence of part-time employment is that some part-time workers, in need of 30 or 40 hours of paid work, must stitch together two or three part-time jobs in order to achieve the equivalent of a single full-time job. Not surprisingly, this results for some in time-consuming and costly travel from worksite to worksite. The side effects may include a reduction in net income, a greater chance of showing up late for work, and complications in the drop-off or pick-up of children at daycare or school.

An increasing share of employees also must deal with volatile schedules and unpredictable hours of work. Sometimes, notice of schedules change and work hour fluctuation arrives at the last minute. At times, the worker only gets notice when arriving on the "wrong" day or at the "wrong" hour at the worksite. Apart from the mental stress that this uncertainty creates, it can also wreak havoc with transportation planning, childcare arrangements, and school drop-off and pick-up plans.

Unofficial employment, part-time jobs, volatile schedules, and unpredictable hours will frequently combine to deprive workers of a dependable stream of earnings and income. Rather, their earnings and income will fluctuate in erratic patterns from month to month. Their expenses, however, are *not* erratic. Monthly rent and mortgage payments, utility payments, and health insurance premiums—as well as periodic grocery purchases, car loan payments, and student loan payments—fall due in a steady and fairly predictable stream. A major source of the "new" economic insecurity is the mismatch between fluctuating earnings and income vs. constant and fairly regular costs of living. At its worst, the mismatch can result in eviction, foreclosure, a utility cutoff, malnutrition, car repossession, an untreated illness, an unfilled cavity, or bankruptcy.

One of the worst consequences of the "new" economic insecurity is, simply, the low wages that a sizeable number of jobs still pay. According to a recent explanation by Martha Ross and Nicole Bateman of the Brookings Institution that appeared in November 2019 when the U.S. economy was in good shape as a whole:

> Even as the U.S. economy hums along at a favorable pace, there is a vast segment of workers today earning wages low enough to leave their livelihood and families extremely vulnerable. That's one of the main takeaways from our new analysis, in which we found that 53 million Americans between the ages of 18 to 64—accounting for 44% of all workers—qualify as "low-wage." Their median hourly wages are $10.22, and median annual earnings are about $18,000.
>
> The existence of low-wage work is hardly a surprise, but most people—except, perhaps, low-wage workers themselves—underestimate how prevalent

> it is. Many also misunderstand who these workers are. They are not only students, people at the beginning of their careers, or people who need extra spending money. A majority are adults in their prime working years, and low-wage work is the primary way they support themselves and their families.[4]

When various combinations of unofficial employment, part-time jobs, volatile schedules, unpredictable hours, and a fluctuating and erratic erratic stream of earnings also yield a low income, the damage described above—eviction, foreclosure, a utility cutoff, malnutrition, car repossession, an untreated illness, an unfilled cavity, or bankruptcy—is an ever-looming risk. Even when workers hold stable jobs that produce dependable earnings, if they end up with low incomes they may still experience economic insecurity and suffer the same harm.

Two other dimensions of the third "new" type of economic security should be mentioned.

The jobs that meet the criteria described above—that is: unofficial employment, park time jobs, volatile schedules, unpredictable hours, fluctuating and erratic earnings, and low income (in various combinations)—are highly likely to provide no or few employee benefits. Individuals caught up in this sector of the labor market will have a smaller chance of getting health insurance from their employers. (If they get it, it is also likely to provide skimpier coverage, i.e., impose a higher deductible before the insurance kicks in, impose higher co-insurance, and impose higher co-pays). Dental insurance, paid vacation, and paid leave are also less likely to be furnished by employers. As a result, the workers in question, their spouses, and their children are more likely to forego and worry about health care and dental care. They are more likely to endure stress due to lack of vacation and leave. Whatever savings they have are more likely to be depleted to pay out-of-pocket for those benefits that better-off workers—those with stable jobs and dependable earnings—receive tax-free from employers.

Finally, we come to savings. The bottom line here is simple. Workers who experience the third "new" type of economic insecurity—that is: unofficial employment, part-time jobs, volatile schedules, unpredictable hours, fluctuating and erratic earnings, and low income (in various combinations)—are far more likely to have no savings or tiny savings. Net debt, even ignoring home mortgage debt, is more likely to be the case. Retirement savings such as IRAs will be rare. Defined benefit pension plans, i.e., employer-sponsored annuities, will be even rarer. When the adults caught up in the third "new" type of economic security finally retire, most will need to rely heavily—often exclusively—on Social Security retirement benefits. Since many had low earnings throughout their working decades, their monthly Social Security payments will make it

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[4] Martha Ross and Nicole Bateman, Brookings Institution, "Low-Wage Work Is More Pervasive Than You Think, and There Aren't Enough 'Good Jobs' to Go Around," *Brookings: The Avenue*, November 21, 2019, https://www.brookings.edu/blog/the-avenue/2019/11/21/low-wage-work-is-more-pervasive-than-you-think-and-there-arent-enough-good-jobs-to-go-around/

tough for many to scrape by.

This section began with the explanation that this third "new" type of economic security is not confined to those years when the labor market collapses and the economy melts down. It prevails in both bad and good economic times. It is a chronic condition. It is also growing. Year by year, the chronic condition gets worse.

D. The "Old" Economic Insecurity: Short-Term Job Lay-Offs

Finally, the classic form of economic insecurity remains

The economy softens. Employees are temporarily laid-off from otherwise stable, decently paying, jobs in factories, mines, and offices. They qualify for Unemployment Insurance; they receive cash payments, replacing a large portion of their prior earnings, for 26 weeks. In time (usually before the 26 week benefit period elapses), the laid-off employees get their old jobs back. They return to the same jobs, in the same location, with the same employers, as the economy strengthens.

Or a worker experiences an accident or illness that results in a disability that prevents the worker from returning to the old job. If the accident or illness is work-related, Workers' Compensation may provide a benefit. Otherwise, Social Security Disability Insurance may provide a benefit (and, in time, Medicare coverage).

Even as new types of economic insecurity have emerged, the "old" economic insecurity continues to put millions of America's adult workers at risk of a serious loss of income.

Fortunately, thanks to a series of creative 20th century policies—(1) the Worker's Compensation programs enacted prior to the advent of the New Deal, (2) the passage of the Social Security Act in 1935 during the heart of the New Deal, and (3) subsequent additions to the Social Security Act in the 1950s and 1960s—the U.S. has put in place several policies provide cash payments to workers when their earnings temporarily disappear because of one or another facet of the "old" economic insecurity.

III. **How Future U.S. Economic Security Policy Should Be Reformed**

Our challenge today is to recognize and act upon three facts.

First, three "new" types of economic insecurity now sit alongside the classic "old" type of economic insecurity. All four types of economic insecurity threaten the well-being of millions of individual American. All four can badly damage the nation's economy and encourage the growth of authoritarian tendencies and regimes. Failing to tackle all of them is not an option if we want the U.S. to thrive and the world to prosper in peace.

Second, we therefore urgently need to put in place policies that tackle all four types of economic insecurity by providing stable and adequate income to all Americans in their various relationship with work: unemployed, underemployed, employed, temporarily on leave, disabled from working, and retired from the labor force.

As a matter of justice and efficiency, we should tackle all four forms of economic insecurity. To treat any one group of jobless and income-deprived workers as more important than another is unjust. Moreover, because the policies that tackle one type of economic insecurity will often be the best way to address another type of economic insecurity, the creation of a single, comprehensive "policy package" that applies to all forms of economic insecurity will produce operational efficiencies and lower administrative costs.

Third, the contours of U.S. economic security policy reform are clear. The policy package that policymakers need to put in place should include at least the following:

(1) **Cash:** Cash payments for all laid-off (or "furloughed") workers, or those whose hours have been sharply cut, *if* their employment in a wage-paying job is not a healthy option. These payments need to be high enough to enable them to meet their basic needs: housing, food, utilities, and more. The money should be provided via either:

- Direct cash transfers for those who lack Unemployment Insurance; or
- An expanded UI program that covers far more workers and guarantees a higher minimum benefit.

(2) **Jobs:** Employment in Transitional Jobs (a) once returning to work, for those previously barred from the labor market for health reasons, is once again safe, or (b) in any other circumstance where an adult is unemployed or underemployed. In both scenarios, TJs would be offered to the extent that—compared to the number of unemployed and underemployed workers and their need for paid work—the regular labor market does not provide a roughly equal aggregate supply of readily accessible jobs and hours of paid work.

- UI benefits would of course remain an option for those who qualify under an expanded UI program that covers more workers and guarantees a higher minimum benefit;
- For both those who do not qualify for UI *and* those who do qualify but instead want to work for wages, TJs would be available. They would be federally financed. Some could be modeled on the CCC, CWA, or WPA of the Great Depression. Others, with appropriate safeguards, could involve new "try-out" jobs with private-sector firms.

(3) **Work-Based Income:** Sufficient income for all adults in their different relationships to work, including:

- Decent wages and earning supplements for all workers;
- Adequate paid leave for workers who qualify;
- Adequate minimum disability benefits; and

• An adequate minimum Social Security payment.

In all cases, the resulting income should far exceed the poverty line, providing an income that more closely approximates twice the official federal poverty thresholds.

(4) **Health Insurance:** Universal health insurance for all American citizens and legal residents, guaranteeing excellent benefits, a choice among health care plans and providers, and powerful incentives for the plans and providers to hold down costs *and* improve the quality of care.

While these policies would counteract all four types of economic insecurity, they are not narrowly limited to any particular type of economic insecurity. Adults should not be required to prove that they lost a job or suffered an income loss due to any *particular* cause—e.g., a health crisis, a financial meltdown, one of the multiple problems of the new labor market, or a classic lay-off by a business they expect to return to—in order to qualify for a Transitional Job, get a stable income, or have health insurance.

As a result, the administrative structure can be uniform and simple. Indeed, the size of the federal bureaucracy and the number of federal regulations can be shrunk. For example Medicaid, the Affordable Care Act, and perhaps Medicare could be consolidated into a single federal health insurance structure. Financing can also be simplified. Rather than making multiple appropriations and allocating separate amounts (too often on an *ad hoc* basis) in response to superficially distinct types of economic crisis, a smaller and simpler set of financing mechanisms can raise and reserve sufficient funds in advance to prepare for the three basic risks (job loss, income shortage, and health insurance cost) that cut across all the potential crises and all types of economic insecurity.

A. When Cash Payments Are the Best Option

When a global or other devastating health crisis compels vast numbers of workers to stop working—that is: when the first "new" type of economic security hits—the only sensible solution is to give direct and sufficient cash payments to workers who have been laid off (or "furloughed"). Cash should likewise be delivered to those whose hours have been sharply cut.

The design of such a cash scheme must resolve at least nine questions: (1) How much cash per month? (2) For how many months? (3) Is it means-tested? (4) Should the payment be phased out for high-income individuals? (5) Is it taxable? (6) Is it counted in calculating eligibility or benefits for government means-tested program? (7) Where does the money come from? (8) How do these cash payments relate to Unemployment Insurance? (9) Finally, who administers the delivery of money?

(1) How much cash should each recipient get per month?

The recently enacted Coronavirus Aid, Relief, and Economic Security (CARES) Act provides $1,200 to most adults, with $500 to most children, for one month. The payments are phased out for single filers with incomes greater than $75,000 and married/joint filers

with incomes greater than $150,000. Above those two thresholds, the phase-out formula in the CARES law reduces cash payment by $50 for every $1,000 of additional income. As a result, the cash payments are fully "clawed back'" for single filers by $99,000 of income and for married/joint filers by $198,000 of income.

As the following table shows, if the CARES Act payments were annualized, the resulting annual income would exceed the federal poverty line. As is widely understood, however, the poverty line is at best a boundary between penury and want. It does not represent the threshold to an adequate income. Amounts equal to roughly *twice* the federal poverty line, according to the Gallup Poll, come closer to reflecting the annual amounts that low-income Americans have said is "enough to get by." (The Gallup Poll found that Americans as a whole defined an even higher annual amount as "enough to get by.")[5]

Cash Payments Provided Under the CARES Act				2020 Poverty Guidelines for the 48 Contingous States and the District of Columbia		Cash Payments as a Percent of Poverty		Cash Payments as a Percent of 2 x Poverty	
Cash Payments/Month		Cash Payments/Year							
1 Adult	2 Adults	1 Adult	2 Adults	Persons in household	Poverty guideline	1 Adult	2 Adults	1 Adult	2 Adults
$ 1,200		$ 14,400		1	$12,760	113%		56%	
$ 1,700	$ 2,400	$ 20,400	$ 28,800	2	$17,240	118%	167%	59%	84%
$ 2,200	$ 2,900	$ 26,400	$ 34,800	3	$21,720	122%	160%	61%	80%
$ 2,700	$ 3,400	$ 32,400	$ 40,800	4	$26,200	124%	156%	62%	78%
$ 3,200	$ 3,900	$ 38,400	$ 46,800	5	$30,680	125%	153%	63%	76%
$ 3,700	$ 4,400	$ 44,400	$ 52,800	6	$35,160	126%	150%	63%	75%
$ 4,200	$ 4,900	$ 50,400	$ 58,800	7	$39,640	127%	148%	64%	74%
$ 4,700	$ 5,400	$ 56,400	$ 64,800	8	$44,120	128%	147%	64%	73%

The CARES Act payments, if annualized, provide substantially less than twice the poverty line—especially for single-parent families (56% to 64%), but also for two-parent families (73% to 84%). Even if Food Stamp and other means-tested benefits were added (which, if the CARES Act payments are counted in calculating Food Stamp benefits, would reduce those benefits), the total annual income that CARES Act payments would provide will be too little to raise many families with no other income above the threshold of twice the poverty line. In short, the CARES Act payments on an annual basis will frequently fail, standing alone, to provide many America families (regardless of composition and size) with "enough to get by."

A federal policy of *extending* the CARES Act payments from month-to-month will thus spare individuals without other income or resources from being "officially" poor. The CARES Act payment levels on an ongoing basis, however, give such individuals an

[5] For a short history of the official federal poverty line, a description of its flaws in defining the threshold to an adequate income, and the Gallup Poll's findings about what Americans themselves define as an adequate annual income ("the smallest amount of money a family…needs to make each year to get by"), see David R. Riemer, *Putting Government In Its Place: The Case for a New Deal 3.0*, "Appendix C: Defining an Adequate Income, pp. 291-305 (HenschelHAUS, 2020),

income that is far too low to reach what their fellow Americans define as an adequate income. To ensure that unemployed adults without other income in fact attain an adequate income for an extended period of time, the federal government would need to deliver payments much higher than $1,200/month per adult and $500 month per child. Some proposals call for payments as high as $2,000/month per person (adult or child).[6]

(2) For how many months should cash payments be provided?

The biggest flaw in the CARES Act payment policy, however, is not the dollar amounts of the payments but the fact that Congress limited them to a single month. The COVID-19 pandemic will stop millions of Americans—indeed, tens of millions—from working for several months. Future health crises may likewise prevent millions from returning to the labor market for many months. What happens in the second, third, fourth, or subsequent months of the health crisis?

Any rational and humane policy for providing cash payments to laid-off (or "furloughed") workers during a health crisis that forbids their return to work must continue those cash payments until the crisis ends and the emergency orders forbidding work are lifted. No arbitrary number of monthly payments should be set. The number of payments should equal the number of months during which the health crisis lasts.

The gigantic cost of extending the CARES Act cash payment policy for an extended period must be recognized. Let us assume, as a worst case scenario, that cash payments to virtually all Americans continue for 12 months in a row.

At *either* the CARES Act's dollar levels *or* higher levels, giving cash to virtually all Americans for 12 months in a row would have an overwhelming fiscal impact on the federal government. For just the single month in which the CARES Act applies, its one-time cash payments of $1,200/month per adult and $500/month per child (even though the law reduces these amounts for higher-income filers) will cost a total of approximately $300 billion.[7] On an annual basis, that would add up to $3.6 trillion. This compares with total annual federal expenditure in Federal Fiscal Year 2018 of $4.1 trillion.[8] In other

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[6] See, e.g., Economic Security Project, "Emergency Money to the People: Beyond CARES: Lasting Support to Stabilize Families," April 2020, https://www.economicsecurityproject.org/wp-content/uploads/2020/04/emp_fed_factsheet.pdf. It should be emphasized that the Economic Security Project's proposal is limited to the period "until the economy recovers," although it notes that the crisis will last well into 2021 and "probably longer."

[7] Kelsey Snell, National Public Radio (NPR), "What's Inside the Senate's $2 Trillion Coronavirus Aid Package," Special Series: The Coronavirus Crisis, March 26, 2020,https://www.npr.org/2020/03/26/821457551/whats-inside-the-senate-s-2-trillion-coronavirus-aid-package

[8] Christopher Chantrill, "Government Spending Details for 2018," usgovernmentspending.com

words, giving everyone who gets a CARES Act payment the same amount for 12 months would nearly equal the entire amount spent by the U.S. government. If the payments were increased to $2,000/adult per month and $2000/child per month, the annual cost of such a policy would far exceed the entire operating cost of the federal government.

Very little existing federal spending would be offset. In federal Fiscal Year 2018, the U.S. government spent $1,794 billion for broad-based economic security programs (including UI, Social Security, SSDI, Medicare), $859 billion for national defense, $721 billion on means-tested welfare programs (including Medicaid), $410 billion on allother domestic programs, and $325 billion for debt repayment.[9] Congress is unlikely to shrink these expenditures to any great extent. Consequently, a 12-month set of cash payments to virtually all Americans at either the CARES Act level of $3.6 billion (or somewhat lower, or higher)—in essence: an experiment with a Universal Basic Income (UBI)—would raise federal spending to the neighborhood of $7.0—$8.5 trillion. That is very roughly double what the U.S. government now spends.

These estimates are of course the worst case scenario. We all hope that the COVID-19 plague (and any future epidemic) will abate quickly; that millions of workers will rapidly re-enter the labor market; and that the need to give cash payments to virtually all Americans will not last for more than a few months. Even such a short period of extended cash payments along the lines of the CARES Act, however, could easily raise federal spending by $1.0 trillion or more.

If, on the other hand, the CARES Act policy does indeed become a permanent UBI, the fiscal result (at almost any monthly payment level per adult and child) would be a permanent annual increase in federal spending of several trillion dollars. The only way to curtail the cost would to limit payments to the poor and near poor, i.e., end the policy's universal nature and transform it into a means-tested welfare programs. The next section discusses some of the problems caused by means-testing.

(3) Should cash payments be means-tested?

No. Emergency cash payments of this sort are meant to be delivered quickly in the midst of a devastating health crisis. It is possible that the emergency will emerge very suddenly and catch everyone unprepared. Most recipients will be working adults. Others will be recipients of disability benefits and Social Security retirement benefits.

Implementing means-testing in the midst of such a crisis will be frustrating, time-consuming, costly and humiliating. The rules will inevitably be complex. Should interest, dividends, child support payments, Worker's Compensation benefits, Unemployment Insurance benefits, etc., be counted? Should assets be counted, and how? Should 100% of these types of income be counted, or should a portion be disregarded and only the balance counted? What's the "disregard" formula? Should a home, a car, or a

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[9] *Id.*

certain amount of savings be disregarded in toting up assets? What again is the "disregard" formula? Above all, by what formula should an individual's or family's income or assets—that is, their "means"—reduce the cash payment? Deciding on the rules, communicating them effectively to whatever agencies run the program, ensuring consistent application, and resolving disputes and appeals will require substantial bureaucracy and cost.

Moreover, a system of means-testing will divert government resources from the most important task at hand: stopping the health crisis and treating sick people.

Finally, most Americans who qualify for cash payments will find it demeaning to have to prove how poor they were in order to get the cash they need to survive in the midst of a devastating health crisis they played no role in creating.

Means-tested welfare programs in general are a bad idea.[10] The sooner they can replaced by simpler, popular, universal programs of economic assistance that do not compel applicants to prove how poor they are (such as Worker's Compensation, Unemployment Insurance, Social Security Disability Insurance, Social Security retirement benefits, and Medicare), the better. For the emergency purpose and (it can be hope) short period of quickly giving millions of formerly employed Americans a stream of monthly stipends that tides them over until they return to work, means-testing is especially unsuitable.

The only argument for means-testing is that it helps to concentrate public spending on those individuals with greatest need. It avoids allocating tax dollars to high-income people who (even though they may also have lost jobs) do not need cash stipends to live quite comfortably for several months. The goal of concentrating resources on those who most need help, however, can be met with solutions other than means-testing. The next section describes such a solution.

(4) Should the payment be phased out for high-income individuals?

There are pros and cons to phasing out cash payments for high-income individuals. The two cons are that it can be considered means-testing on the "backside," and it adds a measure of complexity.

On the other hand, the elaborate set of rules and complex bureaucratic processes needed to implement a classic means-tested welfare program—i.e., what income and assets to count? what disregards to apply? etc.—can be avoided. Instead, recipients' income tax returns can be used to automatically calculate whether and to what extent cash payments for high-income individuals should be reduced or eliminated. Unlike classic means-tested welfare programs, moreover, phasing out cash payments for high-income individuals does not burden or stigmatize them. They need not prove their income; rather, tax returns they must file anyway would be used again to shrink or end their cash

[10] See David R. Riemer, *The Prisoners of Welfare: Liberating America's Poor from Unemployment and Low Wages* (Praeger: 1988).

payments. It is also hard to imagine how *not* getting the maximum cash payment, or *not* getting any cash payment, will subject anyone to a stigma.

The CARES Act embraced exactly this policy. As explained earlier, it phases out cash payment for single filers with income greater than $75,000 and married/joint filers with income greater than $150,000. For every $1,000 of additional income, payments are reduced by $50. They phase out entirely for single filers with $99,000 of income and married/joint filers with $198,000 of income.

This is a reasonable formula for phasing out future cash payments. It concentrates help on the poor, working class, and middle class much more effectively than the new federal Child Tax Credit (CTC) phase-out formula. The CTC does not begin to phase out until $200,000 for single filers and $400,000 for married/joint filers. Using the more targeted CARES Act formula will also hold down the overall cost of the cash payments more effectively than the quite generous—for the well-to-do—CTC formula.

One technical issue needs to be addressed in setting up a sound system of phasing out the cash payments for higher-income filers. During the first half of any calendar year during which individuals receive their cash payments, it will be necessary to use their *prior year's* income tax returns—which in turn are based on the *previous year's* income—to estimate whether their income by the end of the current calendar year justifies a full payment or a reduced payment. (The reason, of course, is that filers' tax returns documenting their *prior year's* income are not generally available until after April. Filers' tax returns for the *current year* will of course not be filed until the next year.) It may turn out, therefore, that some filers who got full payments should have received reduced payments (and *vice versa*) if either the *immediate prior year's* income or the *current year*'s income is defined as the basis for phasing out cash payments.

Thus, policymakers will need to decide whether:

- "Excess" payments should be left alone or recouped by the IRS; and
"Insufficient" payments should be left alone or made up by the IRS.

There's no self-evidently right answer. Retroactively adjusting payments, whether down or up, will burden the IRS. In the case of recouping an "excess" payment, it will be annoying. It may make sense to recoup "excess" payments, or make up "insufficient" payments, only if there is a big gap between the size of the cash payment actually delivered vs. what should have been paid. This of course begs the question of how big a gap ought to be to trigger an adjustment.

Whatever the answer, the good news is that the potential risk of repayment will in almost all cases affect fairly high-income filers. If they got a cash payment that turned out to be "too much" and must pay up, it could only be because their annual income ended up being higher. They will by definition be in a strong position to send money to the IRS. Conversely, for those who got "too little" and are entitled to more, the good news is the best possible news: they will be owed money by the IRS.

(5) Should cash payments be taxable?

It can be argued that, once a phase-out of cash payments (such as the one suggested in the prior paragraph) has been applied, no further reduction in the cash payments should be achieved by treating them as taxable income for the purpose of the federal individual income tax.

A strong argument can also be made, however, that cash payments should be fully subject to taxation at the filer's highest marginal tax rate. (If the normal operation of the federal individual income tax does not automatically subject cash payments to the *highest* marginal tax rate, the tax system could be adjusted to produce that outcome.)

There are two reasons for treating all cash payments as taxable income, and applying the highest marginal tax rate, even if the dollar value of cash payments has already been shrunk for higher-income taxpayers, e.g., single filers making over $75,000 and joint/married filers making over $150,000.

To begin with, this further concentrates the benefit of cash payments on those with the lowest incomes and greatest need: the poor, the working class, and the bottom half of the middle class. They would retain either all or a very high share of their cash payments.[11] Instead, moderate-and-higher income filers would be the ones whose cash payments would be more likely to be taxed back. Moderate-income filers, with smaller marginal tax rates, would see smaller percentages taxed back. Higher-income filers, who are subject to higher marginal tax rates, would see higher percentages taxed back.[12]

The second reason for subjecting cash payments to taxation is that, like the phase-out of the value of those payments for the high-income filers, this will reduce the overall cost of the program.

A second tax question also needs to be considered. The cash payments we are discussing are intended by and large to replace lost wages. Should the laid-off (or "furloughed") workers who receive these cash payments in lieu of wages be required to pay at least the employee's share of FICA (Social Security) and Medicare taxes on their payments *as if* their payments were real wages?

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[11] The cash payments, while included in Adjusted Gross Income (AGI), would be offset by the standard deduction. As a result, low income people—whose AGI (including the payments) will typically be less than (or barely exceed) their standard deduction—will see (or very little) of their cash payments counted as taxable income. Thus, it will not be taxed at all (or very slightly), and at a low marginal tax rate.

[12] If a higher-income filer's cash payment has already been substantially reduced by a phase out, of course, even if the remaining payment is subject to relatively high marginal tax rate, the nominal dollar amount of the tax may be quite small.

Obviously, this will reduce their disposable income. On the other hand, paying FICA and Medicare taxes (with forgiveness for the non-payment of any employer's share) will enable the worker to continue to build up credits for Social Security eligibility and benefits as well as Medicare eligibility.

The answer should be assumed to be no. Many workers will have a pressing need for all the money they get. If the health crisis is of short duration, the negative impact on building up credit for Social Security and Medicare will be minimal. It is nonetheless a question to keep in mind, particularly in the event a health crisis forbids workers from returning to the labor market for an extremely long time.

(6) Should cash payments be counted in calculating any government means-tested program?

This is a difficult question. There are several sources of difficulty. Taken together, however, they point to *not* counting the cash payments under discussion here when determining eligibility or benefits for existing means-tested programs.

Government policy is inconsistent in deciding when government cash or cash-equivalent benefits counted in determining eligibility for and benefits for means-tested programs. Unemployment Insurance (UI) benefits, for example, are counted as income for SNAP (Food Stamps). But Earned Income Tax Credit (EITC) payments are generally *not* counted for Food Stamps. Given this inconsistent pattern, it is not entirely clear what the rule should be. But the reasons for not counting the cash payments for purposes of means-tested program are stronger.

First, counting the cash payments in question could result in a cut in means-tested benefits. It would be odd, to say the least, if the consequence of giving people extra money during a health emergency that forbids them from working would result in their getting *less* money than they would otherwise receive from other government programs. Such an outcome would be felt as unfair by many recipients of time-limited cash payments. Many other Americans would agree.

Second, counting the cash payments could result in a loss of Medicaid eligibility—thus, health insurance and health care—for the particularly vulnerable low-income population. It is one thing to raise a family's income by a few thousand dollars and lower their SNAP allocation by a portion of that. The family is hardly better off, but it is not worse off. It is an entirely different matter to raise a family's income by a few thousand dollars and boot them out of Medicaid. To make matters worse, stripping low-income Americans of Medicaid in the midst of a nationwide health crisis could harm their health. If Medicaid is cut off while a contagious virus like COVID-19 is on the loose, the policy could equally endanger the health of Americans at any income level.

It is true that, for some, enrolling through the Affordable Care Act's exchanges, and buying subsidized health insurance, may be an option. But the process is complicated. Even the best ACA plan—the so-called Platinum level of coverage—exposes enrollees to

a significant deductible. Moreover, to retain coverage, enrollees must make monthly premium payments, even if small. Miss enough payments, the individual or family risks also getting booted out of its ACA plan and "going bare" with no health insurance protection at all.

Third, counting cash payments when calculating eligibility and benefits for means-tested programs could result in fraud and error, or unfounded accusations of fraud and error. If, for example, recipients of a cash payment are required to report the dollar amount to the state agency that administers SNAP but fail to do so, have they committed a federal crime? If recipients do not understand their obligation to report, they have at the very least made a mistake. In both cases, they may be required to repay the excess SNAP benefits received. If the recipient has complied with the reporting requirement, but there's a snafu in the transmission of the information, the recipient could be unfairly accused of a crime at worst or negligence at best.

Finally, since the cash payments under discussion are intended to last for only a few months, is counting them for means-tested programs worth the burdens that recipients will experience, the hassle front-line staff will endure, and meager net savings the government may accrue?

Recipients will already be riding out the disruption caused by a giant health crisis. Many will be caught up in applying for Unemployment Insurance and other benefits. Is it worth adding to their burdens a new reporting requirement?

The frontline staff administering SNAP, Medicaid, and other means-tested programs will already be dealing with a surge in applications, decisions, and possibly appeals. Does it make sense to saddle them with yet another round of data collection, benefit recalculation, and frustrating interaction with applicants surprised by the loss of benefits or health insurance? Moreover, once the end of the health crisis will bring the cash payments to an end, it will be necessary to recalculate—and immediately—all the recipients' and rejected applicants' eligibility and benefits for SNAP, Medicaid and other means-tested programs. This will subject the beleaguered staffers who run those programs to extreme levels of pressure.

Counting time-limited cash payments for the purpose of means-tested programs may save the government some money. But it will be difficult to estimate the net savings. They may be quite small. Indeed, since everyone hopes that the health crisis that triggered the cash payments will quickly end, the fiscal goal is a short period of cash payments that causes any possible federal net savings in means-tested welfare costs to be small.

For all these reasons, *not* counting cash payments for means-tested programs is the better choice.

(7) Where does the money come from?

In the short run, the only way to pay for a cash payment program of the type discussed here is to draw the money from the federal government's general revenue.

In the long run, it may make sense to establish a new social insurance program: National Catastrophe Insurance. Funded over the years as a small percent of every or most tax filers' income, the new program would build up large reserves—held in a true trust fund that legally could not be touched—that enable Congress to make emergency cash payments of the type described above to Americans who have massively lost their jobs and income due to a either a sudden health crisis or financial meltdown.

To ensure that Congress does not dissipate the fund's reserves, some sort of unemployment trigger or income loss trigger could be built into the trust fund's legal instrument. Funds could be disbursed only once an independent body, such as the Governmental Accountability Office, determines the trigger has been tripped.

Many questions need to be asked and answered before enacting such a program. Yet if it appears probable that frequent, steep, and global economic crises are likely in the 21st century—and, thus, the first and second "new" kinds of economic insecurity outlined here are likely to recur—should we not have in place a well-planned, well-organized, well-funded mechanism for ensuring that Americans get enough money to "get by" until the crisis abates?

The alternative is to do what we've done with the COVID-19 crisis. Argue about who's to blame. Disagree about the best response. Develop *ad hoc*, last minute solutions. find the initial solutions wanting, and come forward with more (and more, and more) *ad-hoc* last minute solutions. It's not a good approach—much less a good look—for the world's economic leader.

(8) How do these cash payments relate to Unemployment Insurance?

Congress has responded to the COVID-19 labor market collapse *both* by giving $1,200 per person checks to most adults *and* by expanding eligibility and benefits under the Unemployment Insurance system.

What then—alongside a simple and effective national policy of giving people cash payments until they can return to work—ought to be the parallel role of Unemployment Insurance? What *particular* changes should be made in the UI system to deal with the special case of mass unemployment and income loss when the entire economy tanks vs. *general* changes in the UI system that should be made to improve its effectiveness as the frontline of defense when a worker loses a job no matter the broad economic picture?

Three *particular* changes in UI make sense when mass unemployment and income loss hit the U.S. economy.

First: Workers should be able to file for unemployment benefits without a waiting period. Congress has mandated this in the COVID-19 crisis. It should become permanent policy that applies to any case of mass unemployment and income loss.

Second: Workers should not be required, as a condition of receiving UI benefits, to search for a job if the public health experts have decided that going to work presents a health risk and advise against it. Congress has also mandated this in the COVID-19 crisis. It should likewise become permanent policy whenever the U.S. experiences mass unemployment and income loss.

Third: The duration of UI benefits should be extended. Once again, Congress has mandated this in the COVID-19 context. It should become a permanent policy in other cases of mass unemployment and income loss.

Several other *general* changes should be made to the Unemployment Insurance system. They are discussed in the following section titled "When Work-Based Help Is The Best Option."

(9) Finally, who administers the delivery of money?

The answer to this final question is simple. The IRS should deliver cash payments. State UI agencies should distribute UI benefits. Their respective data systems best position them to know who should get how big a check (ideally via electronic funds transfer). Their respective access to resources best position them to draw down on the necessary accounts.

B. When Work-Based Help Is the Best Option

In general, in response to all three "new" types of economic insecurity *and* in response to the classic "old" type of economic security, work-based help is the surest, best, and most popular way to guarantee that all American adults, in *all* of their various relationships with the labor market, obtain a stable and adequate income.

With rare exception, American adults (not in prison or jail) have one or more of the following relationships with the labor market: (1) unemployed and underemployed workers; (2) current workers (whether consultants, contractors, self-employed, or employed by an employer); (3) disabled workers; or (4) retired workers. In any of these relationships, their work-related income can be inadequate.

In the unique case of the first "new" type of economic insecurity—that is: a labor market collapse caused by a health crisis that prevents most of the unemployed from returning to work until the crisis ends—work-based help may not be the *immediate* solution. Simple cash payments, untethered to either means or work, will for many be the necessary, immediate, and (let us hope) short-term response. But as the health crisis abates and end,

work-based solutions should reemerge as the best way to ensure that all Americans get a stable and adequate income.

Whenever the second "new" type of economic insecurity occurs—that is: a labor market collapse meltdown caused by a meltdown in the banking sector or financial sector—getting unemployed and underemployed workers back to work poses no health risk. Work-based solutions should be both the *immediate* and *primary* strategy.

For the third "new" type of economic insecurity—that is: unofficial employment, part-time jobs, volatile schedules, unpredictable hours, fluctuating and erratic earnings, and low income (in various combinations)—work-based solutions should again be both the *immediate* and *primary* strategy.

Finally, for the classic "old" type of economic insecurity, work-based solutions have always constituted the *immediate* and *primary* strategy.

Here is what U.S. policymakers should do create a new, comprehensive, flexible, work-based policy package that will provide virtually all American adults with the jobs, earnings, and other work-based benefits they need—in short, the stable and adequate income that adds up to economic security.

Unlike what we now have, and unlike what Congress has added in response to the COVID-19 crisis the work-based policy package that America requires should not be a patchwork. It should not be full of gaps. Nor should it be complex or unfair. Rather, the United States needs a new economic security policy structure--linked to work—that has been put in place in advance, can rise to all occasions with sufficient resources, and meets all adults' need for a stable and adequate income in ways that are straightforward, fair, and consistent with the values of the American people.

The specific policy reforms needed are described below:[13]

(1) *Unemployment Insurance Reform*

The UI system should be reformed to cover many more workers, pay a higher minimum benefit, and enable recipients (after a while) to voluntarily convert their cash benefits into wages earned in a Transitional Jobs.

• Broader Eligibility: Eligibility for UI benefits should be extended to *all* workers, including "gig economy" and other contractors, consultants, and self-employed

[13] For additional detail about most of these proposed policy reforms, see David R. Riemer, *"Putting Government In Its Place: The Case for a New Deal 3.0,"* Chapter 5, "The Next Change of Concept: A New Deal 3.0." The fiscal implications are discussed in Chapter 6, "Running the Numbers," and Appendix D, "How a New Deal 3.0 Changes Budgets."

individuals. If they have paid Social Security (FICA) and Medicare taxes for a minimum number of dollars or years (or both), as most have, they should qualify for Unemployment Insurance. They should also be required to pay a UI tax to help finance the system.

According to the Social Security Administration, in 2019 a total of 176 million workers were fully and permanently insured for retirement benefits.[14] Some are self-employed; some work part-time; most work full-time, although often moving from job to job. All of them, by virtue of qualifying for Social Security retirement benefits (if not sooner), should also become eligible to apply for and receive UI benefits.

• Higher Minimum Benefit: The minimum benefit should provide an income between 80%-90% of twice the poverty line, unless the state's UI formula for the unemployed individual yields a higher income. Workers who have contributed more into this social insurance system (either directly in the case of self-employed workers, or more typically through their employers) should—in proportion to their contributions—receive higher benefits.

• Conversion of Benefits Into Transitional Jobs Wages: After a defined number of weeks (e.g., 10), it should be possible for UI recipients to *voluntarily* convert their cash UI benefits into wages earned in a Transitional Job (TJ), doing useful work. They should also be able to reconvert back to cash benefits if they change their minds for any reason.

There are several advantages to thus reimaging *Unemployment* Insurance as a vehicle for providing what might be called *Employment* Insurance. By earning wages (instead of being given cash grants), workers may qualify for the Earned Income Tax Credit (EITC). If they have dependent children, they will often qualify for a relatively large EITC. Most workers with dependent children will also qualify for the Child Tax Credit. Thus, they can use their UI payment to draw down up to several thousands of additional income.

As explained later, the EITC and CTC—or, preferably, a combined and reformed earning supplement provides an even larger add-on to earnings—would be partly available on a periodic (sometimes called "advance payment") basis. Thus, the UI beneficiary's decision to convert UI benefits into TJ wages would result in an immediate increase in net income.

Because the UI benefit is delivered as wages earned in exchange for performing useful work, the paycheck will be reduced by the employee's share of FICA and Medicare taxes, i.e., a 7.65% reduction. This would be more than offset in almost all cases, however, by the periodic payment of the earnings supplement just mentioned (and explained in more detail below). Paying the FICA and Medicare tax is of course not entirely a negative. Doing so will help in some cases to qualify the worker sooner for

[14] Social Security Administration, Office of the Chief Actuary, "Estimated Number of Insured Workers by Insured Status on December 31, 1940-2019," https://www.ssa.gov/OACT/STATS/table4c1.html

Social Security and Medicare eligibility, as well as possibly increase Social Security Disability Insurance and retirement benefits.

(2) Transitional Jobs

When it's dangerous for adults age 21 or older to work because working means a high risk of illness and possibly death, they should get a basic cash payment. We should not quibble about whether they were working before, or might have other income sources, during such an emergency. Nor should we impose a means test, although phasing-out the cash payment at the very upper end of income (based on prior existing tax returns) and subjecting the cash payment to taxation are both appropriate.

In general, however, work is not dangerous. When a health crisis (like COVID-19) no longer prevents most adults from working in safety--and always in the case of the 2nd and 3rd "new" type of economic insecurity as well as the 4th classic "old" type of economic security—Transitional Jobs (TJs) should be available.

For unemployed and underemployed adults, TJs consist of temporary, wage-paying jobs, at the minimum wage (see below) that ensure the worker up to 40 hours of paid work when combined with any other hours of work the individual is already doing in the regular economy.

The incentives built into a properly structured TJ program would operate to encourage TJ employees to move as quickly as possible out of such jobs, and into better-paying positions in the regular economy that (almost always) pay higher wages to start and over time. TJs should be there when needed, but they should always be back-up jobs that no-one prefers to stay in if better work in the private economy is available. This was also how the WPA of the New Deal was structured. We should replicate that approach.

Transitional Jobs are of course meant for the unemployed and underemployed. For active workers, the components of the work-based policy package that should be put in place include: a higher minimum wage, a larger and better earnings supplement, free childcare, and paid leave.

(3) Higher Minimum Wage

The federal minimum wage for all workers should be raised to at least $10 or $12 per hour. Perhaps it should go as high as $15 per hour, if the evidence confirms that the negative impact on job creation is minimal.

(4) Larger and Better Earnings Supplement

The Earned Income Tax Credit (EIC) and Child Tax Credit (CTC) have done much to reduce welfare enrollment, encourage and reward work, raise incomes, reduce poverty, improve health, and also improve education. Nonetheless, the eligibility requirements of

these two earning supplements are somewhat at odds. In addition, their payment levels provide an insufficient income boost, especially for "childless" adults. Also, the phase-out of the EITC sticks low-income earners with high effective marginal tax rates. The result is to discourage work and penalize marriage.

What is needed is a single, simpler earnings supplement (replacing the Earned Income Tax Credit and Child Tax Credit) that ensures that every adult who works 30 hours per week or more (at a single or multiple jobs), and who earns at least the minimum wage outlined above, ends up with an earnings-based income that equals or exceeds twice the the federal poverty line. In short, federal law should guarantee this formula: Sum of (30 hours/week x 50 weeks/year x minimum wage) + (new earnings supplement) ≥ 2 x Federal Poverty Line

It would also greatly improve the design of the earning supplement if its phase-out rate, like that of the CARES Act cash payments, did not begin until much higher incomes, such as $75,00 for single filer and $150,000 for joint/married filers. This would greatly reduce the earning supplement's work disincentive and marriage penalty. Ideally, the earnings supplement need not phase out at all. Rather, it would simply be reduced by the filer's normal marginal tax rate.

In addition, a large portion (e.g., up to half) of the earning supplement should be made available in period monthly installments ("periodic payment"). The balance could still be provided as one or more lump sums. Low-income workers need both: higher monthly incomes to deal with month-to-month costs of living, *and* access to savings to deal with sudden financial crises (and to avoid high-interest loans from "check cashing" stores).

(5) Free Childcare

Workers with younger children need access to safe and affordable childcare. To encourage work—and to ensure that workers' earnings are not eaten up by the cost of childcare—the federal government should guarantee free childcare for all workers with younger children (0-12 or 13) who enroll them with high-quality childcare providers who are trained and certified.

(6) Paid Leave

Another essential policy for providing workers with a stable and adequate income is to enable them to obtain paid leave, replacing at least 80% of earnings and lasting for up to 6 weeks. Paid leave should be available for employees who temporarily need to leave their jobs to take care of a newborn child, newly adopted child, ailing parent, or perhaps other persons.

(7) Adequate Minimum Disability Income Payments

We may think of disabled workers as non-workers. But by and large the adults who have a serious disability that prevents them from working for wages used to be wage-paying

employees. They may identify themselves as workers who can no longer work. In many cases, the FICA taxes they paid while they were employees help to fund the Social Security Disability Insurance program.

Adults who cannot work, due to a serious disability, have a moral claim on us to an adequate income. Unfortunately, the U.S.'s two main programs for providing adults with disability benefits—the means-tested welfare program called Supplemental Security Income (SSI) and the similarly named but different social insurance program called Social Security Disability Insurance (SSDI)—fail to provide many adults who have genuine disabilities with an adequate income. That needs to end.

Our policy should be to guarantee all adults 21-66 who meet current SSDI disability standards a minimum benefit equal to approximately twice the federal poverty line. SSI should be merged into SSDI for administrative purposes, creating a single and simple administrative structure. Those who qualify for SSDI benefits, however, should receive upward adjustments (as is now the case) based on wage tax contributions to the restructured SSDI program.

At the same time, beneficiaries of the expanded SSDI program should also be encouraged—and find it easy—to work, if they want to work and can work. Like recipients of Unemployment Insurance benefits after a specified number of weeks, SSDI recipients should (among other possible improvements to existing incentives to work) have the right to *voluntarily* convert their cash SSDI benefits into wages earned in a Transitional Job (TJ). They should be able to reconvert back to cash benefits if they change their minds for any reason. The experience of working in a TJ may facilitate SSDI recipients' rejoining the labor market. SSDI recipients should be further encouraged to work by guaranteeing them health insurance coverage so good that they need not fear giving up their SSDI-linked Medicare coverage. A subsequent discussion proposes providing virtually all Americans under 65 with excellent health insurance in a manner that effectively controls costs and improves quality of care.

(8) Adequate Minimum Social Security Pension Benefits

The "Jewel in the Crown" of America's domestic policy is the Social Security system. The program's greatest achievement—probably the most popular program that the U.S. government operates—is Social Security's pension program for retired seniors.

It has challenges, but it has only one fundamental flaw. Social Security does not provide a minimum benefit that guarantees an adequate income. That should change. All adults who reach the Social Security system's "normal retirement" age (now 66 or higher) should be guaranteed a minimum benefit that is roughly twice the federal poverty line. Upward adjustments should then be made (as is now the case) based on FICA tax contributions to the Social Security system.

(9) Universal Health Insurance Long-Term Care Insurance

If an adequate income is undermined by the cost of health care, it is not an adequate income. Today, millions of citizens—young and old—either lack health insurance or have woefully inadequate benefits. Despite the Affordable Care Act, over 25 million remained uninsured. Millions more have policies that impose high deductibles, significant co-insurance, or punishing co-pays.

The United States should join the rest of the civilized world and enroll all of its citizens and other legal residents in a national health insurance system. The system can have multiple components or a single component. What is essential is the bottom line.

Everyone should have health insurance. Coverage should include doctors, hospitals, prescription drugs, and the other health-related services defined in the Affordable Care Act.

The benefits should be excellent. Unlike most employer-sponsored plans—and, alas, unlike Medicare—deductibles should be eliminated. Co-insurance should cease. Co-pays likewise should end (except where a patient needs a prescription drug, and a perfectly good generic equivalent is available, but the patient insists on the higher-priced brand name drug, in which case the patient should pay the difference).

To control costs and improve the quality of care, covered persons should have an annual choice among competing health care plans that meet the highest standards of quality. There should be no cost for enrolling in the lowest-cost plan, but if enrollees prefer a higher-cost plan they should be free to choose it as long as they pay the *extra* risk-adjusted price. Far better than price controls emanating rom Washington, this application of basic market forces—choice, incentives, and competition—will exert powerful and enduring pressure on America's health care system to drive down costs, improve quality of care, and enhance population health outcomes.

(10) Long-Term Care Insurance

For many older Americans, adequate incomes are further undermined today by the cost of long-term care. The solution is simple: a new social insurance program that antes up funds from all workers or income-tax filers to finance each age cohorts' need for additional funds to pay for long-term care.

IV. **Should We Give Direct Help to Businesses In Times of Crisis or Any Time?**

A comprehensive work-based policy package that enables individuals directly to achieve economic security (described in the prior section) does not rule out the policy of funding businesses in times of crisis or otherwise. Alongside the system for guaranteeing that unemployed workers achieve a stable adequate income—through cash payments during

health emergencies where returning to work is a health risk, but primarily through work-based policies when work is safe—subsidies to firms should be on the table for consideration.

While directly subsidizing individual corporations or entire economic sectors may be an acceptable policy in theory, there are real practical questions that need to be answered—and well answered— before such subsidies flow. They include:

- How much should each company be subsidized? In other words, what's the basis for calculating the payment formula?
- Should some or all companies get subsidized?
- Should we subsidize firms that have bad records on worker safety? Wage theft? No employee benefits?
- Should we subsidize firms that were on their way to bankruptcy, or going out of business, anyway?
- How do we make sure that most of the subsidy is used for its intended purpose...however defined? In other words, how much oversight (aka "bureaucracy" and "red tape") is needed to ensure accountability?
- What conditions should the companies that get subsidies be required to agree to? No stock buy-backs? Cuts in salaries and other compensation for top management? Or can they use the money for any purpose?

Until these questions are answered fully and acceptably, it would be a mistake to enact a large-scale—and certainly a permanent—program of handing out tax dollars to individual firms or economic sectors. Extreme caution is in order whether such subsidies take the shape of cash handouts, forgivable loans, loans that must be repaid, or tax breaks of any sort.

The subsidies that governments at every level already hand out to businesses are riddled with complexity. The evidence that they are ineffective in increasing national levels of employment, earnings, income, and wealth is as powerful as the data that they largely channel taxpayers' dollars to the rich and super-rich. It would be a tragedy if the COVID-19 crisis is used to sneak in even more subsidies, costing hundreds of billions of dollars, that likewise do little to improve the lives of the vast majority of Americans, and instead primarily serve to divert scarce tax dollars to the private firms with the least need.

Conclusion

Crisis has always been the catalyst for bold and enduring reform of American policy.

The late 18th century crisis in the colonies of North America over self-government (and much else) set in motion a chain of events—revolt, war, a Declaration of Independence, a Constitution— that produced the world's first extensive republic.

The escalating conflict between South and North over expanding slavery in the 1850s lead, through the battlefields of the Civil War, to the formal abolition of slavery itself.

The Great Depression of 1929-1933 (and beyond) unleashed a tidal wave of social and political reform. Ultimately, thanks to the leadership of Franklin Roosevelt and New Deal allies such as Harry Hopkins and Frances Perkins, the federal government took charge of providing Americans a measure of economic security. The template created by the New Deal—four policy clusters consisting of (1) broad-based economic security policies, (2) means-tested welfare programs, (3) comprehensive market regulation, and (4) extensive market manipulation—has dominated federal policy ever since.

Today's COVID-19 crisis has taught us that the very nature of economic insecurity has fundamentally altered. We can now see three "new" types of economic insecurity that have emerged alongside the classic "old" type of economic insecurity that most New Deal policies sought to counteract.

Our task, as we emerge from the COVID-10 plague, is to pursue fundamental reforms in how federal economic security policy operates that make it possible to meet the new challenge. Thanks to the New Deal, and especially its broad application of social insurance, a strong foundation has been put in place. The Social Security Act's programs of Unemployment Insurance, Disability Insurance, and Old Age Pensions; long-established labor market regulations; and new additions such as Medicare and the Affordable Care Act; give us much to build upon.

The collapse of the labor market as COVID-19 raced across the land, however, should do more than shake us in a vague, unfocused way. It is essential that American citizens and their elected officials acknowledge that the existing U.S. system of economic security, rooted in the New Deal, has major gaps and shortcomings. It is essential to act quickly and boldly.

Abraham Lincoln said in the midst of the Civil War, one month before signing the Emancipation Proclamation:[15]

> The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise—with the occasion. As our case is new, so we must think anew, and act anew. We must disenthrall ourselves, and then we shall save our country.

It is now *our* turn to rise with the occasion. It is now *our* turn to think anew, and act anew. In doing so, remembering the famous advice of Franklin Roosevelt in his 1933 Inaugural Address, we should remember that fear itself is the only thing we have to fear.

We must be fearless in seeing that economic insecurity has morphed into something more threatening and complex than we imagined we would ever be obliged to confront. We must be fearless in admitting that the New Deal heritage so many of us venerate is not enough, for all its strengths, to correct for the "hazards and vicissitudes" that tens of millions of Americans face today—and will continue to face as the "new" types of economic insecurity intertwine with the classic "old" type of economic insecurity. Above

[15] Address to Congress, December 1, 1862.

all, we must be fearless in forging a new, comprehensive, and flexible U.S. policy package that has the power to guarantee all American adults the jobs, earnings, and other work-based benefits they need to reach a stable and adequate income—in short: economic security.