The Daily Dish

Safely Opening the Economy

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Eakinomics: Safely Opening the Economy

It is increasingly apparent that the speed and scale of economic recovery will be proportional to the speed and scale of modifying workplaces to operate safely in the presence of the virus. Without that, workers will be reluctant to return to, and customers will continue to avoid, previously perfectly viable businesses. To the extent that public policy can play a supportive role in the economy, this strikes me as a perfect place for action.

One could easily design, for example, a tax credit equal to a fraction of the cost of protecting employees and reconfiguring workplaces. The former would consist of employee COVID-19 testing, deep cleaning and disinfectants, and personal protection equipment for employees. The latter would include expenses for reconfiguring places regularly used by customers or employees to bring them up to standards. The spending would have to occur in calendar year 2020 (and after the declaration of an emergency on March 13).

Since most firms will have no income tax liability in 2020, it makes sense for it to be a credit against payroll taxes and refundable. Since most employers remit their payroll taxes frequently, this could be implemented by simply reducing the amount of payroll taxes sent in, which would give the firms much-needed cash flow to do the renovations. Finally, one could put a limit on the total amount of the credit, either in absolute terms or per employee.

There will be a lot of chatter about the next “phase” of COVID-19 “stimulus,” which will focus on round after round of checks, a huge pile of cash for state-local governments, and making pandemic unemployment assistance permanent. (I exaggerate, of course. It would only be extended for the next decade.) Some of these will do some good. But none will put customers in businesses and workers back on the job unless these safety concerns are dealt with.

The approach sketched above is pro-growth because it offsets a very expensive supply shock (at least in part) and, unlike Keynesian stimulus, it automatically scales to the size needed in the economy. If there is going to be additional deficit-financed support for the economy, it should be focused on the issue of the pandemic and recovery. Nothing would seem more targeted to those goals.