

Government responses to the coronavirus in the United States: immediate remedial actions, rising debt levels and budgetary hangovers

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Abstract

Purpose

This paper reviews the response of both the national and state governments in the United States to the coronavirus pandemic and discusses budgetary challenges that are likely to be faced by the country over the next several years.

Methodology

The paper uses government sources, analysis by internal and external think tanks and contemporaneous media accounts to describe both the problem and the governmental responses.

Originality

The paper is likely the first to summarize the information about the federal and state responses, and the likely future impacts, in a single place. *(Disclaimer: the paper was published in JPBAFM in mid-September 2020, and data were as recent as early September 2020.)*

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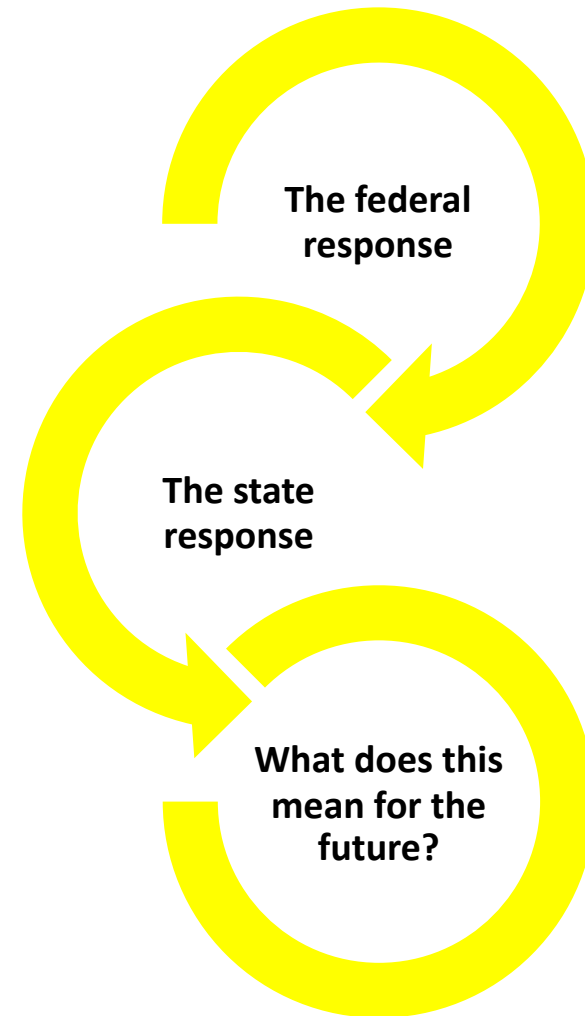
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The federal response

Federal reserve
actions:

- 1) Interest rate
- 2) Asset purchase
- 3) Liquidity measures
- 4) Loan programs

March 3rd (to 23rd)

The CARES Act

March 27th

President's executive
order

August 8th



March 6th (to 18th)

Initial legislative
actions

- 1) Coronavirus
Preparedness and
Response
Supplemental
Appropriations Act
- 2) Families First
Coronavirus Response
Act

April 24th

The Paycheck
Protection and Health
Care Enhancement
Act

The federal response

- Federal reserve actions:
- 1) Interest rate
 - 2) Asset purchase
 - 3) Liquidity measures
 - 4) Loan programs
- March 3rd (to 23rd)**

President's declaration of national emergency
March 13th

The CARES Act
March 27th

HEROES Act introduced
May

President's executive order
August 8th

March 6th (to 18th)

Initial legislative actions

- 1) Coronavirus Preparedness and Response Supplemental Appropriations Act

- 2) Families First Coronavirus Response Act

April 24th

The Paycheck Protection and Health Care Enhancement Act

July
HEALS Act introduced

January 21st
The first case in the US was confirmed

Deficit and debt projections (\$ billion)

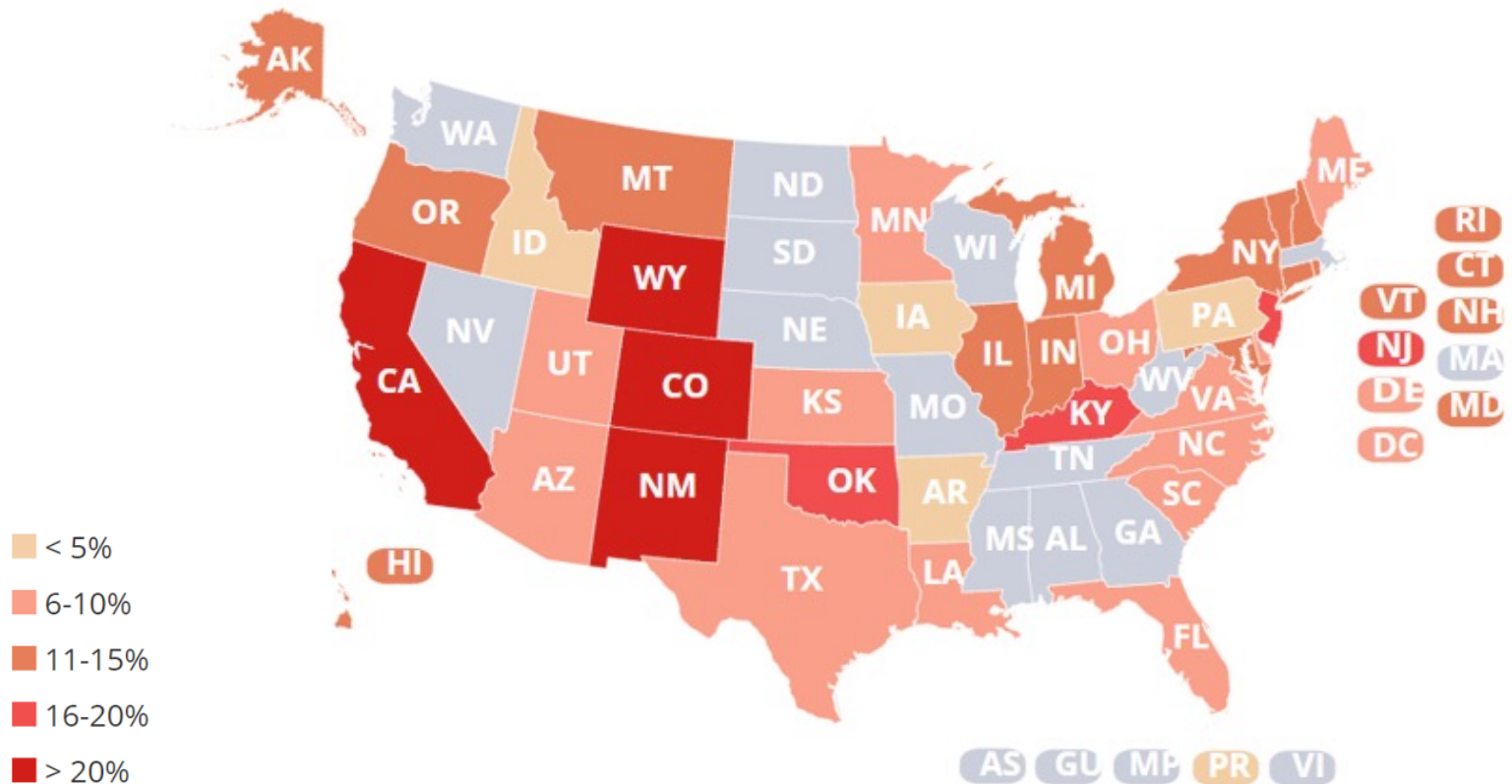
	2020	2021	2030
CBO's January 2020 deficit projections	1,015	1,000	1,742
Effects of COVID legislation on deficits	2,181	557	26
CBO's September 2020 deficit projections	3,311	1,810	1,627
CBO's January debt estimates (Debt to GDP ratio)	17,855 (80.8%)	18,886 (82.0%)	31,447 (98.3%)
CBO's September debt estimates (Debt to GDP ratio)	20,270 (98.2%)	21,931 (104.4%)	33,457 (108.9%)
Debt increase—CBO September over CBO January	2,415	3,045	2,010

Source(s): Compiled by author from Congressional Budget Office (2020)

The state response

- By April, stay-at-home orders extended to 42 states plus the District of Columbia. States across the US have distinct characteristics, including what types of industries are running local economies. Revenue structures also contribute to differential fiscal effects from the pandemic.
- The Center on Budget and Policy Priorities (2020) has projected the cumulative state shortfalls due to COVID-19 to be \$555 billion over three years.
- The amount of federal aids (so far) are deemed insufficient to effectively help state and local governments cushion the economic fallout. The politics of budgeting remains dominant at the federal level.

Revised state revenue declines for FY2021



Source(s): National Conference of State Legislature (2020)

(Non-exhaustive) list of strategies that states have considered taking thus far

(1) Appropriate additional funding for COVID-19 response

(2) Authorize a transfer of rainy day funds

(3) Cut expenditures across agencies

(4) Increase state taxes and fees

What does this mean for the future?

- 1. Will there be a second wave of COVID-19, when will it come, and how will governments respond?*
- 2. How long will the recovery take?*
- 3. To what extent will the economic effects be temporary, and to what extent will there be permanent changes in the economy? What will the long-term effects be on businesses and activities that have historically involved individuals needing to be in close proximity to each other, such as restaurants, concerts and sporting events? Will business travel return to normal, or will the experience of businesses under COVID-19 usher in a “new normal” with more remote meetings and less need for face-to-face contact? Will the coronavirus lead to a surge in teleworking, thus suggesting a decline in the need for commercial real estate, a change in transportation habits, and a negative impact on businesses that rely on face-to-face work for their livelihoods?*

What does this mean for the future?

- 4. Will a vaccine be developed, when will it be available, and who will pay for it?*
- 5. What will the ongoing impact of the pandemic be on state and local revenues and spending? Which revenue sources will be affected, for how long, and at what magnitude? What will be the effect on major items of state spending, such as education (elementary and secondary, and higher), health, transportation and prisons?*
- 6. There has been talk in the Congress of additional legislation, and the Federal Reserve may continue to take aggressive actions. If this occurs, will the federal government bailout state and local governments?*
- 7. To what extent will budgetary priorities need to change in order to enable the country to prepare for the next pandemic? What will this mean in terms of the future of health policy?*

Discussions of potential agenda for follow-up studies

- 1. How has COVID-19 affected (or not affected) our research agenda?*
- 2. What important research questions are answered (and unanswered)?*
- 3. What research methodology (quantitative, qualitative, and mixed-methods) are appropriate to address the unanswered questions?*
- 4. What kind of data are needed? Can these be collected now, or do we have to wait until then?*
- 5. Does it require collaborations across disciplines and regions?*