

Opinion **US economy**

The US needs direct cash payments through this crisis – and the next

The economic stimulus would kick in automatically and be big, quick and efficient

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People line up outside a Kentucky jobcentre. Congress should set direct cash payments in stone as a permanent policy triggered whenever unemployment rises quickly © Bryan Woolston/Reuters

Chris Hughes 3 HOURS AGO

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It has been a dispiriting summer in Washington. In the middle of a pandemic, millions of Americans have seen their unemployment benefits drastically [reduced](#) by congressional inaction, thereby pushing many into financial precarity or poverty. Small companies, still struggling with a huge drop in business, have also been left [wondering](#) whether critical emergency funds will ever arrive in time.

There is a way forward. Democrats and Republicans already broadly [agree](#) on the need for [another round of stimulus cheques](#), similar to the funds deployed in the spring. Congress should authorise these payments, make them recurring until the end of this crisis and, most importantly, put them on autopilot so they are triggered during the next recession. If that doesn't happen now, the next president, whether Donald Trump or Joe Biden, should put it at the top of his agenda.

Economists have long championed the role of “automatic stabilisers”. When an economy tanks, these fiscal policies kick in immediately, without any need for congressional approval, and provide a countercyclical economic stimulus. Last month, 156 independent economists [called](#) for Congress to implement such a scheme, using direct cash payments.

These have already become a go-to policy for Republicans in moments of crisis. Three times in the past 20 years, Republican presidents, with bipartisan support, have authorised stimulus payments during recessions — in [2001](#), [2008](#) and again this year. Democratic lawmakers have supported them each time, while also advocating that they be implemented alongside beefed-up unemployment insurance, and aid to state and local governments.

Congress should build on that bipartisan agreement, pass immediate relief cheques now, and set direct cash payments in stone as a permanent policy triggered whenever unemployment rises quickly. All of the past six recessions began with a sudden rise in the unemployment rate of half a percentage point, according to Claudia Sahm of the Washington Center for Equitable Growth. She [suggests](#) that as soon as unemployment rises by half a point, the government should send out direct cash payments. These would continue until the unemployment rate falls back to a level no more than 2 percentage points higher than when the payments started.

Many legislators who support this idea, such as senators [Kamala Harris](#) and [Ed Markey](#), want the payments to arrive monthly. They see that a one-off cheque is not enough when unemployment is rising precipitously. The payments should also be targeted to families on the bottom half of the income spectrum, who spend money quickest, thereby stimulating the economy.

How much would such a programme cost? The size of the payments can be benchmarked to gross domestic product, with proposals ranging from an annual cap of 0.7 per cent of GDP to many multiples of that. I propose a 3 per cent of GDP level, equivalent to about \$600bn — around a quarter of the total spending so far in this crisis. That is robust spending, which is exactly the point. We want big, efficient flows of money to struggling households in contractionary moments to spur spending and cushion the downturn.

Experience from the past 20 years shows that direct cash payments work. From the [2001](#) and [2008](#) payments, researchers concluded that they helped families avoid eviction and hunger in the short-term, and gave a meaningful boost to household spending.

They also help struggling families when the unemployment insurance system gets overwhelmed — as happened in this year’s crisis, when a record number of Americans filed for unemployment cheques. [On average](#), it took more than 50 days for one-quarter of applicants to receive a decision on eligibility. By contrast, direct cash transfers move very fast, given that most recipients get the money via direct deposit.

Just as important, putting direct cash payments on autopilot means avoiding the inevitably long delays it takes to agree on the stimulus policies needed during a recession. (Five months passed between Lehman’s collapse in 2008 and the approval of a stimulus package.) Because every recession is different, there will always be cliffhanger policy negotiations. But having direct cash on autopilot at least makes room for discussions about other emergency measures, and avoids leaving millions in the lurch.

It is time for Congress to help the millions of Americans struggling today and create a reliable framework to support them when the next emergency comes.