CECILIA ROUSE: I think there may be a reckoning. I am hoping there’ll be a reckoning for what the government can do and a sense among the people that we don't need to have government in all parts of our lives. But we need to rebuild and make sure government is there to help us when we need it and to do those essential services.

MARGARET KOVAL *83: Hello again, Princeton. This spring with coronavirus disrupting everything, we're reaching out to Princetonians from all walks of life to hear how we're continuing our collective and personal missions, how we're staying together at a distance, and how so many of us are working to serve the wider world. In this episode of "We Roar," we hear from labor economist and veteran public servant Dean Cecilia Rouse.

CECILIA ROUSE: My name is Cecilia Rouse. And I'm a professor of economics and public affairs. And I'm also the dean of the Woodrow Wilson School of Public and International Affairs. I can't believe we're only about four weeks into this. It feels like it's been a lifetime already. There's just so much we don't know.

Ultimately, the depths of this economic crisis, whether it is officially called a recession, whether it becomes what we might call a depression, will ultimately depend on the speed and efficacy and efficiency with which the federal government can provide aid to individuals and to businesses and the speed with which our scientific community can come up with therapeutics for COVID-19 or a vaccine for COVID-19.

So because what we have here is a health crisis for which the remedy is for people to stay home, we've brought the economy to a halt intentionally so that we can bring the disease to a halt. As a result, the policy remedy is very different in this situation.

In prior recessions, because there was a problem in a part of the economy, we needed to stimulate the economy. We wanted to bring measures that would encourage firms to hire workers and to encourage there to be more economic activity in different parts of our economy.

In this case, we actually don't want any — to stimulate activity. So what we really have to do here in this — in terms of public policy on the economic side — is to help people get through the period where we're dealing with the pandemic. We need to have the capability for workers and businesses to freeze. That's the ideal actually would be to freeze so that the pandemic can, to get under control, and then we can bring back the economy.

So how do we get to the relief to the workers and firms we've asked to stay still who are in this medically induced coma? In the United States, the Congress passed the CARES Act. And the CARES Act is providing what we call a helicopter drop of about $1,200 to individuals. In addition, Congress has widely expanded eligibility for unemployment insurance. And they've increased the size of the payment in addition to what a worker might typically receive.

Finally, we have the assistance for firms. So there's the $500 billion that was supposed to go to our larger corporations. And then what's really in the news today is the assistance to small businesses, the Paycheck Protection Program. I should also mention that the Federal Reserve is
doing its part in trying to ensure that banks and other financial institutions have the liquidity that they need in order to manage through this crisis.

So our government has got the right pillars. But the other component of it is not just what the intention is but actually how well it's being executed. And that's where we're seeing not the highest grade, shall we say? There are unprecedented numbers of individuals that are applying for unemployment insurance. And there's reports of long lines and completely overwhelmed systems.

And then on the Paycheck Protection Program, we're seeing that it was woefully underfunded, that the SBA was completely overwhelmed — that's the Small Business Administration — that even banks have not been entirely clear on what the guidance is so that our small employers are not getting the assistance that they need.

I think that this pandemic very much highlights what many Americans just do not understand. We are an economy that relies on the private sector. And I think that that is fine. The private sector has many, many strengths. And I think once we're on the other side of this, the resilience and the innovation in our private sector is what makes the American system flourish.

But there is a very important role for government in certain circumstances. And a pandemic is just highlighting all of those. For one, one needs a very strong public health system. The analogy is to the military. We all benefit from a strong national security. If we have a strong military, I benefit. You benefit. Similarly with a strong system of public health.

It also highlights where there are externalities. So the coronavirus is very contagious. And so if I go to work, and I am not feeling well, I can infect my co-workers. I can affect all of those who I may have encountered along the way to work. What we want is for people who are ill to stay home. This is true during a pandemic. This is true during the flu season.

And so paid sick leave is something that we really should be supporting, whether it's mandated for larger employers. But we also need to find a way for those who are self-employed and gig workers, which are becoming increasingly part of our labor market, to be able to stay home as well when they are not feeling well.

And third, this very much highlights that it's important for people to have health insurance because everybody is going to get sick at some point. Everybody's going to need to use our medical system at some point. Right now, those who don't have health insurance rely on our emergency rooms. It's very inefficient.

So on my wish list, I would hope that we will shore up the Affordable Care Act or some really affordable version which is an attempt to have an insurance option for workers who may not be — or individuals even without a job who — that is affordable for everybody.

The fact that this is a very unusual economic situation we find ourselves in, the question becomes how do we end it? Well, because it was sparked from a public health crisis, from a pandemic,
dealing with the pandemic has to lead the way out. And I think there's no question about that. We know we need to have better testing in place. We have to have the capability to do contact tracing.

So that's already very unusual. Because typically, with an economic recession, we only have to fix the economics, and then we can get going. In this case, we actually first have to deal with the public health part, the health part, and then we can get going.

After that, we're going to have to see who's left standing as we reopen the economy. Hopefully, a majority of our small businesses will make it through. One part of our economy that I'm quite worried about is our state and local governments. They have been the front line on addressing the pandemic through their hospitals, their first responders, in almost every way.

And yet, most of them — I think it's well over 40 — have balanced budget laws, which means that as they are hemorrhaging money in order to deal with the pandemic, they are meanwhile, because of the economic consequence, they're not getting the tax revenue from sales taxes. We know that income taxes will be low when they come in. They're giving tax relief in different ways in order to help individuals get through this. And so their revenues will be down. Their expenditures are up.

And in order to balance budgets, if they don't get assistance from the federal government, they're going to have to make some hard decisions. And unfortunately, often the first place that they cut is education. And so I'm very worried about what this does to our K through 12 education system, to our higher education system, but even to Medicaid and to other really important functions that our state governments perform.

I worry that we're going to see increasing inequality. First, those who lost their jobs, while as they're struggling to get their unemployment benefits and the $1,200 check, they're often living paycheck to paycheck. And at this point, they've probably missed one or two paychecks. Many of those low income individuals have comorbidities in terms of high blood pressure, diabetes, and other comorbidities which are known to exacerbate the lethality, shall we say, of COVID-19.

When the schools scrambled to put a pause on in-person classes and went online, the digital divide was going to be, is exacerbated. So for children for whom the home has computers and Wi-Fi, and the school has the technology to help the teachers go online, that's not a problem.

But for our lower income inner city schools and our rural schools or for those lower income students in the schools that are providing their classes online, they may not be able to access them in the same way. Typically, if they wanted to go online, they might have gone to a library, which is now closed. And so I'm worried about the educational gaps that will become more gaping. Education is an investment in the future. And so that will certainly have some lag on our growth going forward.

It's been very interesting looking around the world to see the various responses. I hope to learn much more about some of the countries which are more like the United States but chose to try to compensate the firms and the workers differently. In these other countries, so France and Germany and I think — what is it — Denmark, maybe Austria, they are, they didn't work through their unemployment system.
What they said is instead, firms, just keep, if you keep your workers, we're just going to pay you for those workers. The point is that they're not talking about the unemployment because they didn't ask people to lose their jobs. They just compensated them through their employers. My own guess is that countries that went that route will have a faster recovery once they start to reopen.

This doesn't mean that those economies are better overall. But I think that they will be able to snap back a little faster because the workers and firms won't have severed their relationship. So workers won't be looking for other jobs. Firms won't go under, and then entrepreneurs are entrepreneurial. So they may start another business. But that can take some time.

I'm an optimist. I am hopeful that it won't take years for the economy to recover. I actually am fairly optimistic that there will be therapeutics in place relatively soon. In the meantime, what I hope is that we can get affordable and widespread testing in place, contact tracing in place, so that we can be strategic and start to reopen. And the sooner we can get those things, those policies and practices in place, the sooner we will start to see a recovery.

[ MUSIC ]

This podcast is a production of the Princeton University Office of Communications. The opinions expressed herein represent the views of the individuals involved, not those of the University. Princeton podcasts are available on major distribution channels, including Spotify and the Apple and Google podcast apps. If you have suggestions for future episodes or topics, please send them to podcasts@princeton.edu.