



Economics Group

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No Fiscal Deal in Congress, but Executive Orders Galore

After talks between Congressional Democrats and the White House fell through, President Trump issued a series of executive orders that attempt to keep some financial relief flowing into the economy.

Executive Orders in the Absence of Congressional Action

Last week, talks between Congressional Democrats and the White House for another round of COVID-19 fiscal relief petered out. At present, both the House and the Senate have left town for August recess, though members are on call to return to Washington D.C. in the event of a major breakthrough.

Against this backdrop, President Trump has attempted to take matters into his own hands through executive orders. First, the president instructed the U.S. Treasury to halt collection of payroll taxes from September 1 through December 31 for workers who earn approximately \$100,000 or less per year. Second, emergency federal unemployment benefits were reinstated at \$400 per week, down from the previous \$600 that lapsed on July 31. Third, the Secretary of Health and Human Services and the Director of the CDC were directed to “consider” whether temporarily halting residential evictions is necessary to prevent the spread of COVID-19. Finally, interest on student loans held by the federal government will be waived through the end of 2020, and payments can be deferred until December 31.

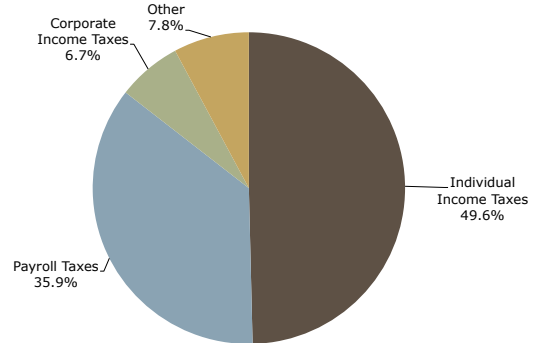
These steps represent more financial support for the economy than would have occurred otherwise. But, they are not as material as initially meets the eye. The payroll tax holiday is a deferral, not an outright cut, so these taxes will still be owed at some point, although President Trump has said he will push Congress for a permanent cut at a later date. The \$400 per week in unemployment benefits utilizes an emergency disaster relief unemployment program and requires states to cover one-quarter of the cost. The executive order draws on \$44 billion appropriated to Federal Emergency Management Agency (FEMA) in the CARES Act. Even if this entire \$44 billion is utilized for unemployment benefits in the weeks ahead, we estimate that this is only enough money to last four to six weeks given the expected number of claims. Legal challenges could also create headaches for implementation.

Could a Deal from Congress Still Be Coming?

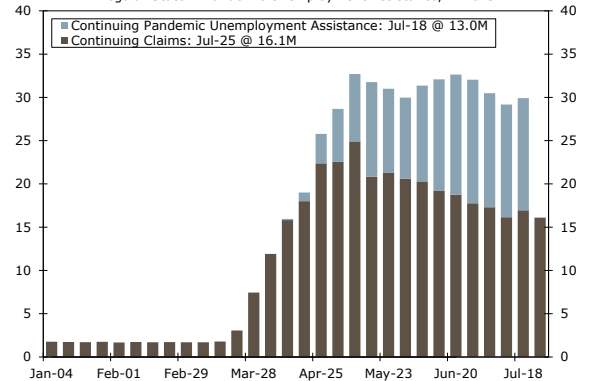
Congress holds the keys to a more sweeping and impactful fiscal package, but talks between the two sides are at a standstill. For months we have resisted explicitly putting another sizable round of stimulus in our forecast, and for now we are maintaining that view. Thus, should Congress and the White House strike a deal, it would likely result in upside risk to our forecasts for real GDP growth, nonfarm payrolls, net Treasury issuance, etc.

However, there may be a window of opportunity. Lost amid the negotiations is the need to pass a budget by the end of the fiscal year on September 30. Perhaps negotiators can continue to hammer away in the coming weeks, and then in September pass both a funding bill and a COVID-19 relief bill at the same time. This would be a huge lift, but it would also be a major step towards clearing the legislative deck before the election on November 3.

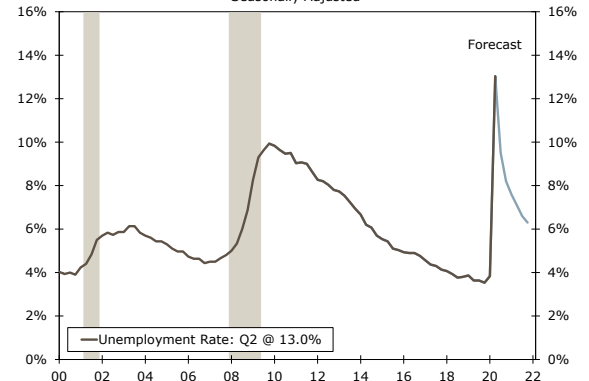
Composition of Federal Revenue (FY 2019)



Continuing Claims for Unemployment
 Regular State + Pandemic Unemployment Assistance, Millions



Unemployment Rate
 Seasonally Adjusted



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