

Trump team prepares rescue package of at least \$800B

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The White House aims to deploy at least \$800 billion in aid in the coming weeks to prop up the U.S. economy, as retailers, restaurants, sporting events and other businesses shut down and Americans slow their spending while staying home to guard against the coronavirus pandemic.

Among the administration's targets this week: providing relief in the form of tax deferments, loans or even direct payments to airlines, the hospitality industry and small-to-medium-sized businesses crippled by plunging demand. Officials know they need to release the contours of their plan quickly — potentially as soon as Tuesday — as turmoil accelerates in financial markets, said a person familiar with the White House's plans.

Both Treasury Secretary Steven Mnuchin and National Economic Council Director Larry Kudlow have specifically cited aid for U.S. airlines, as travelers cancel trips or avoid new bookings and public health experts advise older Americans to avoid flying entirely.

“We don't see the airlines failing, but if they get into a cash crunch, we're going to try to help them,” Kudlow told reporters Monday at the White House. He said the airlines had been in touch seeking aid, “lots of them,” and that “we're in touch about their balance sheets and their cash flow.”

Hotel CEOs are planning to visit the White House on Tuesday to meet with Vice President Mike Pence, as the hospitality industry also struggles from a serious downturn.

The Treasury Department and National Economic Council met several times over the weekend to develop a list of options for the administration's next phase of fiscal stimulus and held several conversations with President Donald Trump, said one senior administration official.

So far, officials have discussed allowing industries such as airlines to defer tax payments or temporarily keep some of the taxes they collect from consumers. Airlines are seeking even greater assistance — [nearly \\$60 billion worth](#) — as they cancel flights and park plans due to collapsing demand for travel.

The hotel industry has suggested options to help with their cash crunch including loans from the Small Business Administration, deferring tax liabilities, a temporary payroll tax cut or a tax credit to retain employees. Other suggestions have included offering loan guarantees, loan forbearance or the cancellation of debts through executive action, or regulatory changes, said a Republican in close contact with the administration.

Within the past week, as business plunged across the nation, the internal discussion among top economic officials has moved toward providing industries with cash and not just tax relief — even if no one in the White House wants to call it a bailout.

Kudlow himself said he preferred to call it more of a “short-term liquidity issue.”

The goal is to help industries deal with the cash-flow crises they’ll likely face in the coming weeks, even if the administration sees no evidence of systematic risk.

“They haven’t settled on any one thing at this point,” said Steve Moore, a conservative economist and outside adviser to the president. “We proposed a four-step plan and the best idea is to suspend the payroll tax for the rest of the year. That’s something that would help everyone. It’s clean and it doesn’t pick winners and losers.”

Industries across the board are starting to latch onto the idea of suspending the payroll tax for employers for the rest of the year. The largest business lobbying group, the Chamber of Commerce, included it in letter it sent to Congress on Monday, and Trump has said he’d like the payroll tax either cut or suspended through the end of the year.

Leaders from sectors including airlines, hotels and casinos have been warning officials behind closed doors about the concern they’ll have to start laying off thousands of employees if the shutdown throughout America continues — including in politically sensitive states such as Ohio and Pennsylvania.

Half of the \$800 billion in aid, under the White House’s latest estimates, would come from aid to workers and small businesses, tax deferrals and other moves already underway, including deferring student loan interest, buying oil and additional provisions of a relief bill already moving through Congress. The other half would come from a payroll tax holiday through the end of the year — a move that would likely cost much more than \$400 billion.

The administration is also exploring with the Federal Reserve how it can deploy the central bank’s emergency powers to lend to non-financial firms, though its authorities were curtailed in the political backlash to the 2008 bailout of the insurer American International Group.

The White House and economic officials are desperate to stave off a potential recession, since the economy has always been one of the hallmark achievements of Trump’s first term and a key message for his reelection.

The former head of the White House Council of Economic Advisers, Kevin Hassett, said in an interview that the March jobs report out early next month could show losses of perhaps over 1 million. “It really could be the worst jobs report we’ve ever seen in our history.” He said he did calculations over the weekend with conservative economist Larry Lindsey showing that the economy could contract by a severe 5 percent in the second quarter, though a swift containment of the virus could lead to a bounce-back in the third quarter.

“There is a dispute between the House and the Senate and the president about what to do,” Hassett said. “But imagine if it’s Friday when the jobs report comes out and it’s worse than we’ve ever seen. Then you’d see Congress act with urgency. The question is if they act with urgency ahead of the terrible numbers.”

Hassett, who remains in contact with the White House, says he is not in favor of direct industry bailouts but is arguing for the payroll tax suspension at least for a quarter of the year. “You can do it quickly on the employer side and we need employers not to fire people,” he said. “And on the employee side, it could have a macro-economic effect. You could even offset the 5 percent economic decline with the payroll tax cut. And we don’t have to have a recession if the virus fades and the third quarter booms.”

In addition to hearing from lobbyists and industry leaders directly, the White House is hearing from informal economic advisers such as Moore with their proposals.

Moore said he sent a plan to Kudlow for items to include in the next stimulus proposal that’s expected to emerge from the White House and Treasury Department in the coming days. Moore authored a proposal along with publishing magnate Steve Forbes and supply-side economics guru Art Laffer, a close Kudlow ally.

The group suggested financing the payroll tax cut by issuing 50- and 100-year Treasury bonds at 1 percent interest. They also suggested avoiding any direct cash bailouts to hard-hit industries like airlines or hotels.

“Every business is materially affected by this. Who is going to make these decisions about who gets aid and who doesn’t?” Moore said. The final piece of the plan would be for the Fed to open lending facilities for low-interest loans to any business that has collateral to avoid cash crunches that could force companies into fire sales of existing assets to raise cash to replace revenue lost to the crisis.

“We aren’t sure which of these Larry and [Treasury Secretary Steven] Mnuchin like, but Trump listens to us,” Moore said. “He seeks out our advice. We are urging him not to do things that are bad policy that he would not do otherwise.”

A former senior Treasury official still in contact with senior members of the department said Mnuchin is aware that many Republicans will have problems with direct bailout payments to individual industries, but that he may propose them anyway for airlines, cruise ships and the entertainment industry more broadly.

“The problem is the Wall Street TARP vote still haunts those halls,” this former official said of the 2008 vote to bail out big banks. “It’s going to be like pulling teeth to get Republicans to vote for that. I think the White House is also open to refundable tax credits. And then you have the challenge of, ‘How do you help people exempt from the payroll tax?’”

The person added that a plan could not wait until the end of the week. “It has to happen right away. Like right now. Otherwise businesses are just going to start closing and laying people off right away.”

Meridith McGraw contributed to this report.