



ADVERTISEMENT

OPINION

Op-Ed: George Soros: Guarantee paychecks for all workers displaced by coronavirus to save the economy



In Hollywood, as in cities across the United States, streets are largely empty and businesses shut down during the pandemic. It's important to keep the businesses in sleep mode, not to let them die. (Jason Armond / Los Angeles Times)

By GEORGE SOROS AND ERIC BEINHOCKER

APRIL 13, 2020 | 7:17 PM



The catastrophic collapse in U.S. employment due to the coronavirus crisis demands far more from the federal government than it has done so far.

Nearly 17 million Americans filed for unemployment in just the three weeks ending April 4. And [analysis by the research center INET Oxford](#) predicts that without urgent action, 24% of U.S. jobs could be lost in coming weeks — compared with just 3.3% during the 2007-2009 recession. That kind of job loss would be equal to the worst years of the Great Depression and would mean more than 37 million Americans are out of work. The impact will be felt most severely by low-income workers.

The goal, until it is safe for people to return to work, must be to maintain the economy in “sleep mode.” That will require keeping businesses and workers as intact as possible, ready to “wake up” and return to work when the health crisis passes, in order to drive a strong recovery. How? The federal government must immediately [guarantee the paychecks](#) of all Americans for the duration of the crisis.

Other countries have done exactly this. Germany, France, Denmark, Ireland, the Netherlands, the United Kingdom and Australia are all providing direct funding to employers to cover worker paychecks and keep workers in their jobs during the lockdowns.

ADVERTISEMENT

History has shown the strategy works. Thanks to Germany’s “Kurzarbeit” program, unemployment there actually *fell* from 7.9% to 7% during the Great Recession, while average unemployment in other major developed economies rose by 3%. As a result, the German economy recovered more quickly than those of many other countries.

The U.S. Congress took a step in the right direction with the \$2-trillion CARES Act it recently passed. The new law establishes a loan program to guarantee the payrolls of businesses with fewer than 500 employees. But unfortunately, the funding allocated for the program was too little, and delivery of the funds — with loans via banks — is proving too bureaucratic and slow. Likewise, the patchwork of other programs in CARES and actions by the Federal Reserve are too indirect and working too slowly to stem the tide of unemployment. We need action that is fast, direct and at scale.

Rep. Pramila Jayapal (D-Wash.) and some of her colleagues in the House of Representatives have proposed a [“Paycheck Guarantee Act”](#) that would support

workers of *all* employers. It is essential that protection be extended to all 152 million of America's workers, not just the 60 million working for small businesses . It must also extend to both for-profit and nonprofit organizations.

The House proposal would cover wages up to \$100,000 per employee and has provisions to encourage firms to quickly rehire any employees laid off since March 1. Crucially, it would also cover healthcare benefits, as 160 million workers and their family members currently rely on employer health insurance.

ADVERTISEMENT

Importantly, the proposal outlines ways this vital support could be distributed to companies quickly, directly and electronically, rather than through banks and bureaucracy. Finally, the proposal has provisions to ensure that the support is actually used to cover worker paychecks by companies that would otherwise be forced to lay off workers. This will prevent large companies that don't need the funds from accessing the program, and also prevent the kinds of abuses seen during the 2008 bailouts, for example using taxpayer funds for executive bonuses or stock buybacks.

Such an economy-wide guarantee will certainly be costly — [INET Oxford estimates](#) about \$115 billion a month. But this is well within the range of other measures taken in the CARES Act and is likely to be one of the most effective uses of fiscal policy.

While the CARES Act provides for significantly expanded unemployment insurance, it is far better to spend money to keep people from becoming unemployed in the first place. Mass unemployment will create huge frictions in restarting the economy — firms will be cautious about rehiring and consumers will be cautious about spending, creating the potential for a long, drawn-out depression. Any funds spent preserving worker paychecks and healthcare now will save money that would otherwise have to be spent on unemployment benefits and public healthcare later.

While nothing is simple in an election year, if there is one proposal that should receive bipartisan support, this is it. GOP [Sen. Josh Hawley](#) of Missouri has independently proposed a paycheck guarantee similar to the one enacted by the Conservative government in the U.K. For Democrats the protection of worker

incomes and healthcare, particularly for lower-income workers, is critical. Likewise, Republicans know that businesses desperately want to hang on to their employees and be ready for a fast restart of the economy. And while the expansion of unemployment benefits in the CARES Act was absolutely necessary, both sides know that workers would far rather have a paycheck than a benefit check.

ADVERTISEMENT

Congress and the administration must act immediately to stop the catastrophic collapse in employment currently underway. The Paycheck Guarantee Act is so urgent and beneficial that it should be put forward by the House as a separate bill and not be delayed waiting for another big rescue package. Some naysayers are already arguing that it is too late. That is not the case, but if it is delayed waiting for an omnibus bill, it will be.

Eventually, the virus will be brought under control, but as long as Americans are required to “shelter in place” we must also help them to “shelter in job.”

[George Soros](#) is founder of the Institute for New Economic Thinking and chairman of the [Open Society Foundations](#). [Professor Eric Beinhocker](#) is executive director of the Institute for New Economic Thinking at the Oxford Martin School, University of Oxford ([INET Oxford](#)).

OPINION

OP-ED

CORONAVIRUS PANDEMIC

A cure for the common opinion

Get thought-provoking perspectives with our weekly newsletter.

Enter Email Address

SIGN ME UP

You may occasionally receive promotional content from the Los Angeles Times.

George Soros and Eric Beinhocker

MORE FROM THE LOS ANGELES TIMES

OPINION

Letters to the Editor: Coronavirus kills the delusion that government should be like a business

1 hour ago

OPINION

Letters to the Editor: I had to make many, many calls about my unemployment benefits. This is a crisis

1 hour ago

OPINION

Op-Ed: My childhood memories of the Holocaust in a world of COVID-19

1 hour ago

OPINION

Letters to the Editor: Why just a running mate? Joe Biden should name his entire Cabinet

1 hour ago

ADVERTISEMENT

LATEST OPINION

OPINION

Editorial: It's not just renters. Landlords need help, too

1 hour ago

OPINION

Editorial: Coronavirus outbreak gives colleges a chance to revive a system already breaking

1 hour ago

OPINION

Op-Ed: In Tibet, it's a crime to even talk about the value of mother-tongue education

1 hour ago

OPINION

Column: How a science magazine from Charles Darwin's era found new life online amid the coronavirus

2 hours ago

OPINION

Column: The shaming of Anthony Fauci at Trump's news conference from hell

April 14, 2020

ADVERTISEMENT

Subscribe for unlimited access

Follow Us



