



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

April 29, 2024

**VIA ELECTRONIC MAIL**

Austin Evers  
American Oversight  
C/O Mehreen Rasheed  
1030 15th Street NW, Suite B255  
Washington, DC 20005

Email: [foia@americanoversight.org](mailto:foia@americanoversight.org)

RE: Your FOIA Request to Treasury, Case Number 2020-03-025

Dear Mr. Evers:

This is the final response of the Department of the Treasury (Treasury) to your Freedom of Information Act (FOIA) request dated March 4, 2020. You requested: "All daily briefings or situation reports (or other similar updates designed to keep leadership apprised of breaking events) prepared for, or otherwise provided to, the leadership of your agency that contain information regarding the ongoing coronavirus outbreak."

Your request has been processed under the provisions of the FOIA, 5 U.S.C. § 552. A reasonable search was conducted for records responsive to your request.

In response to the search, 234 pages were located within the Departmental Offices of Treasury. After carefully considering these records, Treasury is releasing 205 pages in full and 17 pages in part. Treasury is also withholding 12 pages in full. The withheld information is protected from disclosure under the FOIA pursuant to 5 U.S.C. § 552 (b)(5) and (b)(6).

**FOIA Exemption 5** exempts from disclosure "inter-agency or intra-agency memoranda or letters which would not be available by law to a party other than an agency in litigation with the agency." This includes communications forming part of the deliberative process, attorney-client privilege, or attorney work product.

**FOIA Exemption 6** exempts from disclosure "personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy."

Treasury has considered the foreseeable harm standard when reviewing the records and applying these exemptions.

There are no fees assessed at this time since allowable charges fell below \$25.

You have the right to appeal this decision within 90 days from the date of this letter. By filing an appeal, you preserve your rights under FOIA and give the agency a chance to review and reconsider your request and the agency's decision. Your appeal must be in writing, signed by you or your representative, and should contain the rationale for your appeal. Please also cite the FOIA reference number noted above. Your appeal should be addressed to:

FOIA Appeal  
FOIA and Transparency  
Office of Privacy, Transparency, and Records  
Department of the Treasury  
1500 Pennsylvania Ave., N.W.  
Washington, D.C. 20220

If you submit your appeal by mail, clearly mark the letter and the envelope with the words "Freedom of Information Act Appeal." Your appeal must be postmarked or electronically transmitted within 90 days from the date of this letter.

If you would like to discuss this response before filing an appeal to attempt to resolve your dispute without going through the appeals process, you may contact our FOIA Public Liaison for assistance via email at [FOIAPL@treasury.gov](mailto:FOIAPL@treasury.gov), or via phone at (202) 622-8098. A FOIA Public Liaison is a supervisory official to whom FOIA requesters can raise questions or concerns about the agency's FOIA process. FOIA Public Liaisons can explain agency records, suggest agency offices that may have responsive records, provide an estimated date of completion, and discuss how to reformulate and/or reduce the scope of requests in order to minimize fees and expedite processing time.

If the FOIA Public Liaison is unable to satisfactorily resolve your question or concern, the Office of Government Information Services (OGIS) also mediates disputes between FOIA requesters and federal agencies as a non-exclusive alternative to litigation. If you wish to contact OGIS, you may contact the agency directly by email at [OGIS@nara.gov](mailto:OGIS@nara.gov), by phone at (877) 684-6448, by fax at (202) 741-5769 or by mail at the address below:

Office of Government Information Services  
National Archives and Records Administration  
8601 Adelphi Road – OGIS  
College Park, MD 20740-6001

Please note that contacting any agency official (including the FOIA analyst, FOIA Requester Service Center, FOIA Public Liaison) and/or OGIS is not an alternative to filing an administrative appeal and does not stop the 90-day appeal clock



You may reach me via telephone at 202-622-0930, extension 2; or via e-mail at [FOIA@treasury.gov](mailto:FOIA@treasury.gov). Please reference FOIA case number 2020-03-025 when contacting our office about this request.

Sincerely,



Shirley Brown  
Senior FOIA Specialist  
*for* Mark Bittner  
Director for FOIA and Transparency  
Office of Privacy, Transparency, and Records

Enclosures

Responsive document set (234 pages)

**From:** (b)(6)  
**Sent:** Mon, 30 Mar 2020 08:29:29 -0400  
**To:** Undisclosed recipients:  
**Subject:** 03-30-2020 PA Senior Staff Notes  
**Attachments:** 03-30-2020 PA Senior Staff Notes.docx

March 30, 2020

**Public Affairs Notes:**

**This week:**

- **There are no public events to report for the remainder of the week. Updates will be provided as they become available.**

**SECRETARY MENTIONS**

**Trump Signs Coronavirus Relief Package Into Law Amid Questions Over Implementation.** (AP, REU, HILL, BIZJOUR, FT, FOX, MRKTWTCH, NBCNEWS, CALLER, FXNEWSN, WP, CNNINTL, CBSNEWS, CNN, NPR, AXIOS, FOXB, CNBC, BLOOM, WSJ, USAT, NYT, VOX)

The AP (3/27, Taylor) reported President Trump “signed an unprecedented \$2.2 trillion economic rescue package into law...after swift and near-unanimous action by Congress this week to support businesses, rush resources to overburdened health care providers and help struggling families during the deepening coronavirus epidemic.” The AP said lawmakers and the Administration acted “with unity and resolve unseen since the 9/11 attacks...to stem an economic free fall caused by widespread restrictions meant to slow the spread of the virus that have shuttered schools, closed businesses and brought American life in many places to a virtual standstill.” The AP noted Senate Majority Leader McConnell (R-KY) and Senate Minority Leader Chuck Schumer (D-NY) “wrestled” with the legislation “for days, along with Treasury Secretary Steven Mnuchin and other administration officials.” The AP added that the legislation was passed with “near-unanimous approval by voice vote after an impassioned session conducted along the social distancing guidelines imposed by the crisis.” Similarly, Reuters (3/27, Morgan, Cornwell) said, “The rare bipartisan action underscored how seriously Republican and Democratic lawmakers are taking the global pandemic that has killed more than 1,500 Americans and shaken the nation’s medical system.”

However, The Hill (3/27, Wong) reported Trump did not invite House Speaker Pelosi “and other Democrats to the White House ceremony where he signed the historic \$2 trillion coronavirus rescue package passed earlier in the day by the House, aides said.” According to The Hill, Trump “empowered Treasury Secretary Steven Mnuchin and other top administration officials to negotiate with Pelosi and Schumer on the last two coronavirus packages – and any subsequent ones that might be needed.” The Business Journals (3/29), The Financial Times (3/29, Forrohar), Fox News (3/27, Singman), MarketWatch (3/29, Bartash), NBC News (3/27, Kapur), and Daily Caller (3/29, Hopkins), among other outlets, also report.

***Mnuchin: Treasury Working With SBA To Get Loans To Small Businesses.*** MarketWatch (3/29, Bartash) reports the financial rescue package includes \$350 billion in “desperately needed relief for small-company operators whose sales have plunged or whose businesses have been ordered closed.” The White House, Federal Reserve, and the SBA are working together to set up the emergency loan program.

Fox News (3/29, Blitzer) says in an appearance on Fox News Sunday (3/29), Treasury Secretary Steve Mnuchin “touted a program that his department is working on alongside the Small Business Administration that would provide forgivable loans that could help ‘half of the private workforce’ as soon as this coming Friday.” Mnuchin said, “I encourage all small businesses to take out these loans because if you hire back your workers for eight weeks, you’ll have a forgivable loan and the government will pay for that.”

The Washington Post (3/27, A1, Kane, Debonis, Werner) reports Secretary Mnuchin “promised in a Fox Business interview Friday...that the SBA would stand up a new lending program within a week. Small businesses will have access to close to \$400 billion in loans from the new legislation.” Mnuchin said, “We’re going to have a new program up by next Friday where banks can lend. I mean that – that would be a historic achievement that is just incredibly aggressive. ... This is a brand-new program, the Treasury working with the SBA. We’re doing everything we can because Americans need that money now. They can’t wait for government to take three or four or six months like we normally do.”

CNN International (3/27, Luhby, Lobosco, Sahadi, CNN) reports businesses need to apply for to access the \$350 billion in new loans authorized by the stimulus package through an SBA approved lender. SBA lenders themselves “aren’t clear yet just how fast they can process the new loans, even though Treasury Secretary Steven Mnuchin has suggested publicly this week they can do so very quickly.”

***Mnuchin Says Americans Can Expect Checks Within Three Weeks.*** The Daily Caller (3/29, Adamitis) reports Secretary Mnuchin said Sunday on CBS’ Face The Nation “that Americans can expect to receive their stimulus checks within three weeks, if the government has their direct deposit information.” Mnuchin said, “We expect that within three weeks that people who have direct deposit information with us will see those direct deposits in their bank accounts, and we will create a web-based system for people where we don’t have their direct deposit they can upload it, so that they can get the money immediately as opposed to checks in the mail.”

Reuters (3/29, Lynch, Sanders, Chiacu) reports Mnuchin “said his main focus now is on carrying out its provisions to get money to Americans as soon as possible.” Mnuchin said, “We also have the [coronavirus] task force and the medical professionals making recommendations to the President about when they think the economy will be reopened, and if for whatever reason this takes longer than we think, we will go back to Congress and get more support for the American economy. But I hope that’s not needed.” CBS News (3/29, Quinn) and CNN (3/29, Holmes, Correspondent) also report.

***Mnuchin Says US Will Be “Compensated” For Assistance To Airlines.*** NPR (3/27, Schaper) reported that “a pretty big chunk of the \$2 trillion federal coronavirus relief package will go to the commercial aviation industry; most notably, the airlines, airports and airplane manufacturer, The Boeing Company.” Reuters (3/27, Shepardson, Shalal) reports Secretary Mnuchin, in an interview on Fox Business, “said on Friday that taxpayers will ‘compensated’ for providing up to \$25 billion in direct grants to the airline industry.” Mnuchin asserted, “I’ve been very clear this is not an airline bailout.” Mnuchin added, “It is support to the airlines for national security reasons that the taxpayers are going to be compensated for.” Axios (3/27, Muller), and Fox Business (3/27, Barrabi), among other outlets, also reports.

***Trump Says IG Needs His Permission To Report To Congress On \$500 Billion Bailout Fund.*** CNBC (3/28, Hirsch) reported President Trump on Friday “wrote in a signing statement accompanying the \$2 trillion stimulus bill that he believes the inspector general overseeing a \$500 billion relief fund for businesses will not have as much regulatory power as Democrats had sought.” The fund “is overseen by Treasury Secretary Steven Mnuchin.” Trump “said Friday he believes the Inspector General needs his permission in order to make” reports to Congress.

The Washington Post (3/27, Stein) reported President Trump’s moves to “curb oversight provisions” in the “historic \$2 trillion coronavirus aid package” by “asserting presidential authority over” the new



Special Inspector General for Pandemic Recovery (SIGPR), “could presage a major battle between the White House and Capitol Hill as the Trump administration moves to implement the new law.” However, the Post concedes, “It’s unclear what other steps Congress could take if Trump seeks to weaken the new inspector general,” but “given the scale of the money involved, Congress is likely to push back against Trump’s demands for presidential oversight over the new inspector general’s office.”

Bloomberg (3/28, Wingrove, Mohsin) reported Trump “said the Special Inspector General for Pandemic Recovery, or SIGPR, cannot go to Congress if refused information by agencies about loans and investments made by the Treasury secretary.”

In her column for The Washington Post (3/27), Helaine Olen argued the stimulus bill “is not only a missed opportunity to permanently give American workers the benefits enjoyed by those in other wealthy countries, but yet another successful cash grab by corporate interests and the wealthiest among us.” According to Olen, the legislation “puts Treasury Secretary Steven Mnuchin – who, lest you forget, served as the Trump campaign’s finance chair in 2016 – in charge of monitoring and administering the Fed’s coronavirus corporate rescue fund, which, with leverage, amounts to an estimated \$4 trillion to \$4.5 trillion.”

The Wall Street Journal (3/29, Kiernan), USA Today (3/27, Fritze), The New York (NY) Times (3/27, Savage), Vox (3/28, van Wagendonk), and The Hill (3/28, Johnson), among other outlets, also report.

#### **Media Analyses: Mnuchin Getting Generally High Marks For Coronavirus Relief Efforts. (WT, HILL, DAYBEST, CNN, WP, AP)**

The Washington Times (3/29, Boyer) reports that while Treasury Secretary Steven Mnuchin “is sometimes viewed warily by conservatives who consider him a Democrat in...Trump’s inner sanctum,” he is “getting high marks for his round-the-clock efforts to rescue the economy and serve as a liaison” between the President and House Speaker Nancy Pelosi (D-CA). The Times says the cost of the package “isn’t sitting well with many conservatives,” nor are items such as “\$25 million for the Kennedy Center for the Performing Arts in Washington and \$75 million for the Corporation for Public Broadcasting, which funds National Public Radio.” Mnuchin “said the administration needed buy-in from Democrats at a critical moment for the country.”

The Hill (3/29, Chalfant, Elis) reports Mnuchin “has taken on an outsized role in the Trump administration’s response to the coronavirus, serving as a key conduit between President Trump and Congress.” Mnuchin “has helped shepherd through two massive legislative packages aimed at helping address the public health crisis and the ensuing economic fallout, engaging constantly with Democratic leaders despite the considerable partisan divide that has plagued Washington.” The Hill then highlights Mnuchin’s efforts in the pandemic response.

In an analysis, the Daily Beast (3/28, Brodey) said Mnuchin “might seem like an unusual point person to handle the widespread fallout of a global pandemic. But it’s an unusual moment, and Mnuchin – personally tasked by President Trump to represent him in high-stakes congressional negotiations over coronavirus legislation – has seemingly met it, earning the trust of both parties on Capitol Hill while so far retaining the confidence of his famously mercurial boss.”

In an analysis for CNN (3/27, Cillizza), Chris Cillizza ranked Secretary Mnuchin and Senate Minority Leader Chuck Schumer as number three on its list of “10 leaders who mattered most on the coronavirus response this week,” saying the two officials “were linked at the hip all week as they sought to find a way to ‘yes’ on a \$2 trillion economic stimulus bill designed to keep the economy solvent until the coronavirus pandemic passes. And, to their credit, Schumer and Mnuchin got it done.”

**WPost A1: Mnuchin Played Key Role In Negotiating Deal.** In a lengthy front-page article, the Washington Post (3/27, A1, Stein, Dawsey, Costa) says that while “Trump at times seemed to waver on his emissary,” Secretary Mnuchin, during negotiations over the relief bill, “Mnuchin survived the process



and delivered a deal – punctuated by a 96-to-0 Senate vote late Wednesday night – that has invigorated Wall Street enough to drive the Dow Jones industrial average up by more than 3,000 points over three days.” To the Post, Mnuchin “was an ever understated, if occasionally awkward, central player at every step,” but “at critical moments in the negotiations, Mnuchin persuaded McConnell to let him handle talks with Schumer, persuaded Schumer to close the deal and shelve certain requests and, most importantly, persuaded Trump to move as quickly as possible and ignore the gripes of some senators and White House advisers.”

**AP: Meadows Eased Conservatives’ Concerns About Mnuchin.** In a profile of Rep. Mark Meadows (R-NC), the AP (3/27, Miller) described him as “the closer, working with Democrats to get [the bill] done.” Per the AP, “Meadows’ efforts over the last week shine a light on his likely role going forward.” The AP adds that while Secretary Mnuchin “and White House legislative affairs director Eric Ueland did much of the heavy lifting for the White House in talks about the aid package, Democrats and Republicans said Meadows played a key role in the late stages.” The AP said Meadows’ involvement “also helped temper concerns from some conservatives who remain wary of Mnuchin – a former Democrat and Goldman Sachs banker – and see him as too eager to sign onto Democratic proposals.”

**Commentary: Mnuchin Among Trump Officials Not Inspiring “Confidence.”** In an op-ed, Washington Post (3/29) Opinions Editor James Downie writes that National Institute of Allergy and Infectious Diseases Director Anthony S. Fauci is offering frank and informative updates on the pandemic, but others “around the president” do not “inspire such confidence.” Among other officials, Downie says Treasury Secretary Steven Mnuchin “sheltered in his lack of knowledge” when he “kicked off” an interview on Fox News Sunday “by explaining how the coronavirus task force swayed the president against a quarantine of the New York region.” However, “when asked whether it was ‘realistic to open up parts of the country’ by Easter and whether doing so might in fact hurt the economy, Mnuchin clammed up about the task force’s workings: ‘I’m going to leave that decision to the medical professionals and the president.’” Downie concludes, “Perhaps next time the treasury secretary doesn’t feel comfortable answering basic questions, he should refuse to do media hits in the first place.”

#### **Mnuchin Expects Rapid U.S. Recovery Once Coronavirus Shutdowns End. (WSJ, REU)**

The Wall Street Journal (3/27, Kiernan) reported Treasury Secretary Steven Mnuchin said in an interview on Fox Business Friday that he expects the U.S. economy will “bounce back very quickly” after coronavirus shutdowns are lifted, and that he “absolutely” believes the economy could expand by 5 percent in the fourth quarter. Mnuchin also indicated that businesses will be able to get bank loans by “next Friday,” saying it will be a “very simple process where any FDIC-insured institution can underwrite the loan, approve it immediately as a government-guaranteed loan and get money to that small business.”

Reuters (3/27, Schneider) reported that while the a “recession may already be underway” in the U.S., but it would require “jawdropping numbers” in unemployment and GDP declines “sustained over years, not months,” to throw the country into a depression. Though the U.S. is projected to see dramatic short-term drops in output, “few” economists “think that type of decline will actually persist over time.”

#### **Mnuchin Says Trump’s Discussion Of New York Quarantine Was About Considering All Options. (FXNEWSN, REU, POLITICO, FOXB)**

Treasury Secretary Steven Mnuchin, on Fox News Sunday (3/29), discussed President Trump’s consideration of a possible quarantine of the New York region. Mnuchin said, “I think the President wanted to consider all the options. He was obviously concerned with what was going on with New York. He spoke to the task force, he spoke to the governors, and he was comfortable that people would take this advisory very seriously and would not travel.” Reuters (3/29, Chiacu), Politico (3/29, Rahman), and Fox Business (3/29, Fordham) also report.

#### **Collins To Mnuchin: Defer Tariffs For Companies Impacted By COVID-19. (BLOOM)**



Bloomberg (3/28, Crooks) reports Sen. Susan Collins (R-ME) “called on Treasury Secretary Steven Mnuchin to temporarily defer tariffs for U.S. companies that are suffering economic hardship because of the coronavirus outbreak and said duties on imports from China and the EU have been a particular concern for companies in her home state of Maine.” Collins wrote in a letter to Mnuchin, “I have heard directly from domestic manufactures, retail and apparel companies and small businesses importing specialty products. Mainers are resilient and we will make it through this pandemic stronger than before; however, I also want to encourage the Administration to help lessen the burden when possible.”

#### **DC Mayor Expresses Frustration Over Lack Of District Stimulus Funds. (NPR)**

NPR (3/27, Booker) reports Washington, DC Mayor Muriel Bowser “said Friday that she had talked with President Trump about a ‘fix’ to the relatively small amount of funding the city is slated to receive from the landmark \$2 trillion economic relief package.” Bowser, during a press conference Friday, “spoke about a conversation she had with President Trump a day earlier.” Bowser said, “I asked him if we would be able to follow up with [Treasury] Secretary Mnuchin on what we saw as the fix. And he committed to looking into it and we call on him to do that.” NPR says Bowser “had sharper words on Twitter earlier in the week, calling the measure that puts funds for Washington into the same category as U.S. territories ‘simply outrageous.’”

### **MAJOR DEPARTMENT MENTIONS**

#### **Mortgage Industry Seeking Federal Assistance. (WP, POLITICO)**

The Washington Post (3/27, Merle) reports, “Many of the country’s largest mortgage lenders are warning they will be soon pushed to the brink of failure with millions of Americans laid off due to the coronavirus outbreak likely to miss their next loan payment, threatening to disrupt the housing market in a way not seen since the Great Recession.” The Post states that industry officials are warning they “could need nearly \$40 billion in federal help over the next three months and \$100 billion over nine months.”

According to the Post, as the industry was not included in the CARES Act, the sector “now has set its sights on grabbing a portion of the \$454 billion in loans and loan guarantees allocated by the Treasury Department and the Federal Reserve under the legislation.” The Post adds the Federal Housing Finance Agency “has begun preparing for the possibility that some non-bank mortgage servicers may fail, Mark Calabria, the agency’s director, said in an interview with Bloomberg TV Wednesday.” Politico (3/27, O'Donnell) also reports.

### **BROADCAST LINKS**

#### **Fox News Sunday: Mnuchin Says Stimulus Programs Will Provide \$4T Of Liquidity To Economy. (FXNEWSN)**

In an interview on Fox News Sunday (3/29), Treasury Secretary Steven Mnuchin was asked how much discretion he and President Trump have in deciding which corporations receive payments from the \$500 billion included in the stimulus bill. Mnuchin said, “There’s two parts to this program. There is approximately \$50 billion that we can make direct Treasury loans that are subject to the President’s and my approval. ... The other part of the package is for us to work with the Federal Reserve,” which “has the ability to make broad-based lending programs available. Once the Fed requests those actions, they come to me, I have to approve them as Treasury Secretary. ... So these are very important programs. We think they can provide about \$4 trillion of liquidity to the American economy.”

#### **Fox Business: Mnuchin Discusses Coronavirus Stimulus Package. (FOXBN)**

Speaking Friday on Fox Business Mornings with Maria (3/27), Treasury Secretary Mnuchin discussed the \$2 trillion coronavirus stimulus package. Mnuchin said, “This is really, historic, bipartisan legislation to kill this coronavirus, and save US jobs, and US business.” Mnuchin also explained the way the Treasury

has been using the Exchange Stabilization Fund to help the Federal Reserve, saying, “the Fed and Treasury didn’t wait for Congress to act, we already started using this money, Congress allocated more money, and I can tell you, we are moving at lightning speed.”

### **Face The Nation: Mnuchin Discusses Administration’s COVID Relief Efforts. (CBS)**

Treasury Secretary Steven Mnuchin said Sunday on CBS’ Face The Nation (3/29) that the Trump Administration expects that “within three weeks that people who have direct deposit with information with us will see those direct deposits in their bank accounts. And we will create a web-based system for people where we don’t have their direct deposit. They can upload it so they can get the money immediately, as opposed to checks in the mail.” Mnuchin noted they “have everybody within Treasury and the Administration working around the clock to get this money out quickly.” Mnuchin added, “There’s also approximately 50 billion dollars that is in specific lending authority where we can lend to, out of Treasury, to the airlines industry and other national security industries where it’s critical.”

## **POLITICO MORNING MONEY**

**How do we come back?** — Notable coronavirus events over the weekend included President Trump ditching a floated plan to quarantine New York, New Jersey and Connecticut after everyone told him it was a bad idea and extending current distancing guidelines until April 30. Dr. Anthony Fauci said virus deaths could top 200,000 in the United States but dismissed warnings of 1 million or more while simultaneously saying nobody really knows.

**The White House had no choice** but to step back from Trump’s initial push to re-open much of the economy by Easter Sunday, April 12, a date that seemed increasingly impossible given new metro areas keep popping up as hot spots and the curve is not bending.

A full, nationwide lock down would appear more likely at the moment than a swift reopening, meaning even bigger hits to markets and the economy and the likelihood Phase 4 will be required sooner than later. Trump dismissed his initial Easter date as “aspirational.”

**NEC Director Larry Kudlow on ABC’s “This Week”:** “I say that weeks — it could be four weeks, it could be eight weeks. ... I say that hopefully and I say that prayerfully, that’s what some of the science experts are telling us. I don’t know if they’ll be right.”

**Trump’s former FDA commissioner Scott Gottlieb**, among the most prominent Covid-19 commentators on Twitter, co-authored a plan for restarting the economy. It suggests some distancing measures could be reduced in areas that show sustained declines in cases for 14 days, all residents with virus symptoms can be tested, and hospitals have the capacity to treat all patients. His full report is here. We would not return to a mostly normal state until a vaccine is found, which is at least a year away.

**All about speed** — On the financial aid for Americans and businesses front, speed is of the utmost essence as April 1 hits on Wednesday and new mortgages, rent, payroll and scores of other bills begin to come due.

Deutsche Bank’s Torsten Slok: “Not only are millions of people losing their jobs, but US household balance sheets were already vulnerable before the virus hit, with delinquency rates moving up, in particular on auto loans ...

With 25% of US workers making less than \$600 a week, how deep this recession will be depends importantly on how long it will take before the stimulus money arrives into the hands of consumers.”

## **DRIVING THE DAY**

**FUTURES OPEN LOWER** — Stock futures opened up lower last night, on the grim coronavirus news. But the dip wasn’t huge, at least early on.



**DRIVING THE WEEK: IGNORE THE JOBS REPORT** — Markets will hang on each coronavirus curve update ... Consumer confidence on Tuesday at 10:00 a.m. expected to drop to 110 from 130.7 but a bigger dip is possible ...

Jobless claims at 8:30 a.m. on Thursday expected to dip to a still massive 2.5M from a record 3.3M. Again, risk is to the upside here. ... The March jobs report expected to show a loss of only around 100K jobs. But ignore it. The survey week was largely before the coronavirus lockdowns. The April number will tell the tale.

## **CORONAVIRUS EFFECTS**

**TRUMP DROPS THE D-BOMB** — From the Sunday presser: “You are going to have depression in the economy also. But you're going to have mental depression for people.”

**HOW HIGH WILL CLAIMS GO?** — University of Minnesota’s Aaron Sojourner: “Google Trends search interest in ‘file for unemployment’ was up about 30% nationally ... The tricky part is that last week’s number was too low due to challenges states had in processing claims. ... Last Thursday, we forecast 4.7M ... I would stick with that now”

**HOT READ** — Go inside the last 15 frenetic days in the White House via our Meridith McGraw and Caitlin Oprysko with lots of contributors: “An eerie quiet crept over the White House. Desks were empty. Office lights were turned off. Many staffers had been told to work from home....”

**HERE COMES THE FIRST BIG HIT** — WSJ’s Ruth Simon, Esther Fung, Suzanne Kapner and Heather Haddon.: “Congress has passed a \$2 trillion rescue plan but before those funds start to flow, American companies from the owner of a single liquor store in Boston to corporate giants like Macy’s Inc., must decide what to do about April’s bills: Which obligations do they pay and which can they put off? How many employees can they afford to keep on the payroll? Can they get a break on rent?”

**MNUCHIN URGES BUSINESSES TO GET LOANS** — Treasury Secretary Steven Mnuchin on “Fox News Sunday”: “The SBA is working very closely with the Treasury. We expect to have a program up on Friday, that will be up and running, that will cover half of the private workforce. ...

“I encourage all small businesses to take out these loans, because if you go and hire back your workers for 8 weeks, you will have a forgivable loan and the government will pay for that.”

**KUDLOW ON TIMING** — Our Rishika Dugyala: “Larry Kudlow is a self-described optimist — but he said he cannot ‘wave the magic wand’ and return the country to pre-pandemic business as usual.”

**WHO WON THE RESCUE PACKAGE?** — Our Michael Grunwald: “A review of the CARES Act that Trump signed Friday suggests Democrats did manage to influence its direction, shifting some of its aid to individuals towards lower-income families, while imposing some conditions on its aid to businesses—changes that Trump is already taking credit for. ...

“But Republicans won some huge concessions from Democrats, most notably a \$500 billion bailout fund for big businesses and a \$170 billion tax break for real estate investors like the president. And Democrats didn’t get much that Trump didn’t actually want in exchange for helping him pour cash into the locked-down economy in an election year.”

**U.S. PREPS A BANK BAILOUT JUST IN CASE** — Our Zachary Warmbrodt: “Tucked inside Congress’ \$2 trillion economic rescue package for America is sweeping authority for the government to come to the aid of the one industry that has insisted it doesn’t need a bailout: the big banks.

“Lenders that the government saved in the 2008 financial crisis have been touting the strength of their balance sheets heading into the coronavirus pandemic. But Congress is backstopping them anyway with a provision in the bill that would give the Federal Deposit Insurance Corp. power to guarantee checking accounts beyond the \$250,000 in deposit insurance that it now offers bank customers.”



## MARKETS

**JUST HOW CRAZY HAVE THEY BEEN?** — Mohamed A. El-Erian on Bloomberg View: “It’s hard to believe, but in just more than a month, U.S. stocks, as measured by the Dow ... have gone from a record high to the fastest correction in history to the best week since 1938”

**U.S. REBUFFS CALLS TO CLOSE STOCK MARKET** — WSJ’s Alexander Osipovich: “The Trump administration has vowed to keep the stock market open, even as the coronavirus pandemic and a steep selloff have led some commentators and politicians to suggest a temporary closure could soothe frightened investors.”

**Here are a few graphics from Reuters** looking at the three months that shook global markets.

**INVESTORS WORRY MARKETS AREN’T OUT OF THE WOODS** — Reuters’ Megan Davies and April Joyner: “After a brutal meltdown, some investors have been wading back into U.S. stocks. But others are wary of another leg down as the coronavirus spreads and its economic impact is difficult to predict.

## FLY AROUND

**BIDEN LEADS BUT NOT BY MUCH** — Our Steven Shepard: “Three polls released over the last week show Joe Biden ... Trump among voters nationwide, despite the uptick in Trump’s approval rating as his administration confronts the coronavirus outbreak engulfing the U.S.

“Biden’s lead is far from secure, given the tumultuous situation gripping the country and Trump’s 2016 advantage in the Electoral College. The latest result, in an ABC News/Washington Post poll released Sunday, shows Biden with just a 2-point lead over Trump, 49 percent to 47 percent — well within the survey’s margin of error.”

**FISCAL CONSERVATIVES EMBRACE RESCUE PACKAGE** — AP’s Steve Peoples: “[F]acing the unprecedented threat of a global pandemic — and working under a Republican president who has largely brushed off concerns about debt and deficits — the GOP was willing to overlook an unprecedented flood of taxpayer spending.”

**AFTER CORONAVIRUS, WE’LL STILL HAVE TO RECKON WITH THE DEBT** — WSJ’s James Mackintosh: “Moral hazard is dead. Central banks have printed record amounts of money to save financiers and allow indebted governments to keep spending. Inflation is inevitable. If all that sounds familiar, it’s because those were the views of buyers of gold and other inflation protection in 2009. They were wrong then, but they’re at it again — and this time they might be right.”

**BIS: GOVERNMENTS, CENTRAL BANKS MUST BOOST EFFORTS** — Reuters’ Marc Jones: “Governments and central banks need to step up efforts urgently to support their economies in the face of the coronavirus crisis, the head of the Bank for International Settlements said on Sunday. General Manager Agustín Carstens, who heads the BIS - an umbrella group for the world’s central banks - wrote an opinion piece on Sunday saying ‘urgent’ solutions beyond those used during the 2008 financial crisis were needed.”

## FOR YOUR RADAR

**RIP** — Via Palm Beach Daily News’ Shannon Donnelly: “The Hon. Carole L. Brookins, a Wall Street pioneer and a former executive director at the World Bank, died March 23 at age 76. She is the first Palm Beach resident to have died as a result of the coronavirus pandemic.”

**GLG MAKES EXPERT ANALYSIS FREE** — Via Richard Socarides: “Starting [Monday], we’re making GLG’s expert platform available free of charge to nonprofits working on COVID relief.”

March 30, 2020

## Public Affairs Notes:

### This week:

- There are no public events to report for the remainder of the week. Updates will be provided as they become available.

## SECRETARY MENTIONS

### **Trump Signs Coronavirus Relief Package Into Law Amid Questions Over Implementation. (AP, REU, HILL, BIZJOUR, FT, FOX, MRKTWTCH, NBCNEWS, CALLER, FXNEWSN, WP, CNNINTL, CBSNEWS, CNN, NPR, AXIOS, FOXB, CNBC, BLOOM, WSJ, USAT, NYT, VOX)**

The AP (3/27, Taylor) reported President Trump “signed an unprecedented \$2.2 trillion economic rescue package into law...after swift and near-unanimous action by Congress this week to support businesses, rush resources to overburdened health care providers and help struggling families during the deepening coronavirus epidemic.” The AP said lawmakers and the Administration acted “with unity and resolve unseen since the 9/11 attacks...to stem an economic free fall caused by widespread restrictions meant to slow the spread of the virus that have shuttered schools, closed businesses and brought American life in many places to a virtual standstill.” The AP noted Senate Majority Leader McConnell (R-KY) and Senate Minority Leader Chuck Schumer (D-NY) “wrestled” with the legislation “for days, along with Treasury Secretary Steven Mnuchin and other administration officials.” The AP added that the legislation was passed with “near-unanimous approval by voice vote after an impassioned session conducted along the social distancing guidelines imposed by the crisis.” Similarly, Reuters (3/27, Morgan, Cornwell) said, “The rare bipartisan action underscored how seriously Republican and Democratic lawmakers are taking the global pandemic that has killed more than 1,500 Americans and shaken the nation’s medical system.”

However, The Hill (3/27, Wong) reported Trump did not invite House Speaker Pelosi “and other Democrats to the White House ceremony where he signed the historic \$2 trillion coronavirus rescue package passed earlier in the day by the House, aides said.” According to The Hill, Trump “empowered Treasury Secretary Steven Mnuchin and other top administration officials to negotiate with Pelosi and Schumer on the last two coronavirus packages – and any subsequent ones that might be needed.” The Business Journals (3/29), The Financial Times (3/29, Foroohar), Fox News (3/27, Singman), MarketWatch (3/29, Bartash), NBC News (3/27, Kapur), and Daily Caller (3/29, Hopkins), among other outlets, also report.

***Mnuchin: Treasury Working With SBA To Get Loans To Small Businesses.*** MarketWatch (3/29, Bartash) reports the financial rescue package includes \$350 billion in “desperately needed relief for small-company operators whose sales have plunged or whose businesses have been ordered closed.” The White House, Federal Reserve, and the SBA are working together to set up the emergency loan program.

Fox News (3/29, Blitzer) says in an appearance on Fox News Sunday (3/29), Treasury Secretary Steve Mnuchin “touted a program that his department is working on alongside the Small Business Administration that would provide forgivable loans that could help ‘half of the private workforce’ as soon as this coming Friday.” Mnuchin said, “I encourage all small businesses to take out these loans because if you hire back your workers for eight weeks, you’ll have a forgivable loan and the government will pay for that.”

The Washington Post (3/27, A1, Kane, Debonis, Werner) reports Secretary Mnuchin “promised in a Fox Business interview Friday...that the SBA would stand up a new lending program within a week. Small businesses will have access to close to \$400 billion in loans from the new legislation.” Mnuchin



said, “We’re going to have a new program up by next Friday where banks can lend. I mean that – that would be a historic achievement that is just incredibly aggressive. ... This is a brand-new program, the Treasury working with the SBA. We’re doing everything we can because Americans need that money now. They can’t wait for government to take three or four or six months like we normally do.”

CNN International (3/27, Luhby, Lobosco, Sahadi, CNN) reports businesses need to apply for to access the \$350 billion in new loans authorized by the stimulus package through an SBA approved lender. SBA lenders themselves “aren’t clear yet just how fast they can process the new loans, even though Treasury Secretary Steven Mnuchin has suggested publicly this week they can do so very quickly.”

***Mnuchin Says Americans Can Expect Checks Within Three Weeks.*** The Daily Caller (3/29, Adamitis) reports Secretary Mnuchin said Sunday on CBS’ Face The Nation “that Americans can expect to receive their stimulus checks within three weeks, if the government has their direct deposit information.” Mnuchin said, “We expect that within three weeks that people who have direct deposit information with us will see those direct deposits in their bank accounts, and we will create a web-based system for people where we don’t have their direct deposit they can upload it, so that they can get the money immediately as opposed to checks in the mail.”

Reuters (3/29, Lynch, Sanders, Chiacu) reports Mnuchin “said his main focus now is on carrying out its provisions to get money to Americans as soon as possible.” Mnuchin said, “We also have the [coronavirus] task force and the medical professionals making recommendations to the President about when they think the economy will be reopened, and if for whatever reason this takes longer than we think, we will go back to Congress and get more support for the American economy. But I hope that’s not needed.” CBS News (3/29, Quinn) and CNN (3/29, Holmes, Correspondent) also report.

***Mnuchin Says US Will Be “Compensated” For Assistance To Airlines.*** NPR (3/27, Schaper) reported that “a pretty big chunk of the \$2 trillion federal coronavirus relief package will go to the commercial aviation industry; most notably, the airlines, airports and airplane manufacturer, The Boeing Company.” Reuters (3/27, Shepardson, Shalal) reports Secretary Mnuchin, in an interview on Fox Business, “said on Friday that taxpayers will ‘compensated’ for providing up to \$25 billion in direct grants to the airline industry.” Mnuchin asserted, “I’ve been very clear this is not an airline bailout.” Mnuchin added, “It is support to the airlines for national security reasons that the taxpayers are going to be compensated for.” Axios (3/27, Muller), and Fox Business (3/27, Barrabi), among other outlets, also reports.

***Trump Says IG Needs His Permission To Report To Congress On \$500 Billion Bailout Fund.*** CNBC (3/28, Hirsch) reported President Trump on Friday “wrote in a signing statement accompanying the \$2 trillion stimulus bill that he believes the inspector general overseeing a \$500 billion relief fund for businesses will not have as much regulatory power as Democrats had sought.” The fund “is overseen by Treasury Secretary Steven Mnuchin.” Trump “said Friday he believes the Inspector General needs his permission in order to make” reports to Congress.

The Washington Post (3/27, Stein) reported President Trump’s moves to “curb oversight provisions” in the “historic \$2 trillion coronavirus aid package” by “asserting presidential authority over” the new Special Inspector General for Pandemic Recovery (SIGPR), “could presage a major battle between the White House and Capitol Hill as the Trump administration moves to implement the new law.” However, the Post concedes, “It’s unclear what other steps Congress could take if Trump seeks to weaken the new inspector general,” but “given the scale of the money involved, Congress is likely to push back against Trump’s demands for presidential oversight over the new inspector general’s office.”

Bloomberg (3/28, Wingrove, Mohsin) reported Trump “said the Special Inspector General for Pandemic Recovery, or SIGPR, cannot go to Congress if refused information by agencies about loans and investments made by the Treasury secretary.”



In her column for The Washington Post (3/27), Helaine Olen argued the stimulus bill “is not only a missed opportunity to permanently give American workers the benefits enjoyed by those in other wealthy countries, but yet another successful cash grab by corporate interests and the wealthiest among us.” According to Olen, the legislation “puts Treasury Secretary Steven Mnuchin – who, lest you forget, served as the Trump campaign’s finance chair in 2016 – in charge of monitoring and administering the Fed’s coronavirus corporate rescue fund, which, with leverage, amounts to an estimated \$4 trillion to \$4.5 trillion.”

The Wall Street Journal (3/29, Kiernan), USA Today (3/27, Fritze), The New York (NY) Times (3/27, Savage), Vox (3/28, van Wagtenonk), and The Hill (3/28, Johnson), among other outlets, also report.

### **Media Analyses: Mnuchin Getting Generally High Marks For Coronavirus Relief Efforts. (WT, HILL, DAYBEST, CNN, WP, AP)**

The Washington Times (3/29, Boyer) reports that while Treasury Secretary Steven Mnuchin “is sometimes viewed warily by conservatives who consider him a Democrat in...Trump’s inner sanctum,” he is “getting high marks for his round-the-clock efforts to rescue the economy and serve as a liaison” between the President and House Speaker Nancy Pelosi (D-CA). The Times says the cost of the package “isn’t sitting well with many conservatives,” nor are items such as “\$25 million for the Kennedy Center for the Performing Arts in Washington and \$75 million for the Corporation for Public Broadcasting, which funds National Public Radio.” Mnuchin “said the administration needed buy-in from Democrats at a critical moment for the country.”

The Hill (3/29, Chalfant, Elis) reports Mnuchin “has taken on an outsized role in the Trump administration’s response to the coronavirus, serving as a key conduit between President Trump and Congress.” Mnuchin “has helped shepherd through two massive legislative packages aimed at helping address the public health crisis and the ensuing economic fallout, engaging constantly with Democratic leaders despite the considerable partisan divide that has plagued Washington.” The Hill then highlights Mnuchin’s efforts in the pandemic response.

In an analysis, the Daily Beast (3/28, Brodey) said Mnuchin “might seem like an unusual point person to handle the widespread fallout of a global pandemic. But it’s an unusual moment, and Mnuchin – personally tasked by President Trump to represent him in high-stakes congressional negotiations over coronavirus legislation – has seemingly met it, earning the trust of both parties on Capitol Hill while so far retaining the confidence of his famously mercurial boss.”

In an analysis for CNN (3/27, Cillizza), Chris Cillizza ranked Secretary Mnuchin and Senate Minority Leader Chuck Schumer as number three on its list of “10 leaders who mattered most on the coronavirus response this week,” saying the two officials “were linked at the hip all week as they sought to find a way to ‘yes’ on a \$2 trillion economic stimulus bill designed to keep the economy solvent until the coronavirus pandemic passes. And, to their credit, Schumer and Mnuchin got it done.”

**WPost A1: Mnuchin Played Key Role In Negotiating Deal.** In a lengthy front-page article, the Washington Post (3/27, A1, Stein, Dawsey, Costa) says that while “Trump at times seemed to waver on his emissary,” Secretary Mnuchin, during negotiations over the relief bill, “Mnuchin survived the process and delivered a deal – punctuated by a 96-to-0 Senate vote late Wednesday night – that has invigorated Wall Street enough to drive the Dow Jones industrial average up by more than 3,000 points over three days.” To the Post, Mnuchin “was an ever understated, if occasionally awkward, central player at every step,” but “at critical moments in the negotiations, Mnuchin persuaded McConnell to let him handle talks with Schumer, persuaded Schumer to close the deal and shelve certain requests and, most importantly, persuaded Trump to move as quickly as possible and ignore the gripes of some senators and White House advisers.”



**AP: Meadows Eased Conservatives' Concerns About Mnuchin.** In a profile of Rep. Mark Meadows (R-NC), the AP (3/27, Miller) described him as “the closer, working with Democrats to get [the bill] done.” Per the AP, “Meadows’ efforts over the last week shine a light on his likely role going forward.” The AP adds that while Secretary Mnuchin “and White House legislative affairs director Eric Ueland did much of the heavy lifting for the White House in talks about the aid package, Democrats and Republicans said Meadows played a key role in the late stages.” The AP said Meadows’ involvement “also helped temper concerns from some conservatives who remain wary of Mnuchin – a former Democrat and Goldman Sachs banker – and see him as too eager to sign onto Democratic proposals.”

**Commentary: Mnuchin Among Trump Officials Not Inspiring “Confidence.”** In an op-ed, Washington Post (3/29) Opinions Editor James Downie writes that National Institute of Allergy and Infectious Diseases Director Anthony S. Fauci is offering frank and informative updates on the pandemic, but others “around the president” do not “inspire such confidence.” Among other officials, Downie says Treasury Secretary Steven Mnuchin “sheltered in his lack of knowledge” when he “kicked off” an interview on Fox News Sunday “by explaining how the coronavirus task force swayed the president against a quarantine of the New York region.” However, “when asked whether it was ‘realistic to open up parts of the country’ by Easter and whether doing so might in fact hurt the economy, Mnuchin clammed up about the task force’s workings: ‘I’m going to leave that decision to the medical professionals and the president.’” Downie concludes, “Perhaps next time the treasury secretary doesn’t feel comfortable answering basic questions, he should refuse to do media hits in the first place.”

### **Mnuchin Expects Rapid U.S. Recovery Once Coronavirus Shutdowns End. (WSJ, REU)**

The Wall Street Journal (3/27, Kiernan) reported Treasury Secretary Steven Mnuchin said in an interview on Fox Business Friday that he expects the U.S. economy will “bounce back very quickly” after coronavirus shutdowns are lifted, and that he “absolutely” believes the economy could expand by 5 percent in the fourth quarter. Mnuchin also indicated that businesses will be able to get bank loans by “next Friday,” saying it will be a “very simple process where any FDIC-insured institution can underwrite the loan, approve it immediately as a government-guaranteed loan and get money to that small business.”

Reuters (3/27, Schneider) reported that while the a “recession may already be underway” in the U.S., but it would require “jawdropping numbers” in unemployment and GDP declines “sustained over years, not months,” to throw the country into a depression. Though the U.S. is projected to see dramatic short-term drops in output, “few” economists “think that type of decline will actually persist over time.”

### **Mnuchin Says Trump’s Discussion Of New York Quarantine Was About Considering All Options. (FXNEWSN, REU, POLITICO, FOXB)**

Treasury Secretary Steven Mnuchin, on Fox News Sunday (3/29), discussed President Trump’s consideration of a possible quarantine of the New York region. Mnuchin said, “I think the President wanted to consider all the options. He was obviously concerned with what was going on with New York. He spoke to the task force, he spoke to the governors, and he was comfortable that people would take this advisory very seriously and would not travel.” Reuters (3/29, Chiacu), Politico (3/29, Rahman), and Fox Business (3/29, Fordham) also report.

### **Collins To Mnuchin: Defer Tariffs For Companies Impacted By COVID-19. (BLOOM)**

Bloomberg (3/28, Crooks) reports Sen. Susan Collins (R-ME) “called on Treasury Secretary Steven Mnuchin to temporarily defer tariffs for U.S. companies that are suffering economic hardship because of the coronavirus outbreak and said duties on imports from China and the EU have been a particular concern for companies in her home state of Maine.” Collins wrote in a letter to Mnuchin, “I have heard directly from domestic manufactures, retail and apparel companies and small businesses importing

specialty products. Mainers are resilient and we will make it through this pandemic stronger than before; however, I also want to encourage the Administration to help lessen the burden when possible.”

### **DC Mayor Expresses Frustration Over Lack Of District Stimulus Funds. (NPR)**

NPR (3/27, Booker) reports Washington, DC Mayor Muriel Bowser “said Friday that she had talked with President Trump about a ‘fix’ to the relatively small amount of funding the city is slated to receive from the landmark \$2 trillion economic relief package.” Bowser, during a press conference Friday, “spoke about a conversation she had with President Trump a day earlier.” Bowser said, “I asked him if we would be able to follow up with [Treasury] Secretary Mnuchin on what we saw as the fix. And he committed to looking into it and we call on him to do that.” NPR says Bowser “had sharper words on Twitter earlier in the week, calling the measure that puts funds for Washington into the same category as U.S. territories ‘simply outrageous.’”

## **MAJOR DEPARTMENT MENTIONS**

### **Mortgage Industry Seeking Federal Assistance. (WP, POLITICO)**

The Washington Post (3/27, Merle) reports, “Many of the country’s largest mortgage lenders are warning they will be soon pushed to the brink of failure with millions of Americans laid off due to the coronavirus outbreak likely to miss their next loan payment, threatening to disrupt the housing market in a way not seen since the Great Recession.” The Post states that industry officials are warning they “could need nearly \$40 billion in federal help over the next three months and \$100 billion over nine months.” According to the Post, as the industry was not included in the CARES Act, the sector “now has set its sights on grabbing a portion of the \$454 billion in loans and loan guarantees allocated by the Treasury Department and the Federal Reserve under the legislation.” The Post adds the Federal Housing Finance Agency “has begun preparing for the possibility that some non-bank mortgage servicers may fail, Mark Calabria, the agency’s director, said in an interview with Bloomberg TV Wednesday.” Politico (3/27, O'Donnell) also reports.

## **BROADCAST LINKS**

### **Fox News Sunday: Mnuchin Says Stimulus Programs Will Provide \$4T Of Liquidity To Economy. (FXNEWSN)**

In an interview on Fox News Sunday (3/29), Treasury Secretary Steven Mnuchin was asked how much discretion he and President Trump have in deciding which corporations receive payments from the \$500 billion included in the stimulus bill. Mnuchin said, “There’s two parts to this program. There is approximately \$50 billion that we can make direct Treasury loans that are subject to the President’s and my approval. ... The other part of the package is for us to work with the Federal Reserve,” which “has the ability to make broad-based lending programs available. Once the Fed requests those actions, they come to me, I have to approve them as Treasury Secretary. ... So these are very important programs. We think they can provide about \$4 trillion of liquidity to the American economy.”

### **Fox Business: Mnuchin Discusses Coronavirus Stimulus Package. (FOXNB)**

Speaking Friday on Fox Business Mornings with Maria (3/27), Treasury Secretary Mnuchin discussed the \$2 trillion coronavirus stimulus package. Mnuchin said, “This is really, historic, bipartisan legislation to kill this coronavirus, and save US jobs, and US business.” Mnuchin also explained the way the Treasury has been using the Exchange Stabilization Fund to help the Federal Reserve, saying, “the Fed and



Treasury didn't wait for Congress to act, we already started using this money, Congress allocated more money, and I can tell you, we are moving at lightning speed."

### **Face The Nation: Mnuchin Discusses Administration's COVID Relief Efforts. (CBS)**

Treasury Secretary Steven Mnuchin said Sunday on CBS' Face The Nation (3/29) that the Trump Administration expects that "within three weeks that people who have direct deposit with information with us will see those direct deposits in their bank accounts. And we will create a web-based system for people where we don't have their direct deposit. They can upload it so they can get the money immediately, as opposed to checks in the mail." Mnuchin noted they "have everybody within Treasury and the Administration working around the clock to get this money out quickly." Mnuchin added, "There's also approximately 50 billion dollars that is in specific lending authority where we can lend to, out of Treasury, to the airlines industry and other national security industries where it's critical."

### **POLITICO MORNING MONEY**

**How do we come back?** — Notable coronavirus events over the weekend included President Trump ditching a floated plan to quarantine New York, New Jersey and Connecticut after everyone told him it was a bad idea and extending current distancing guidelines until April 30. Dr. Anthony Fauci said virus deaths could top 200,000 in the United States but dismissed warnings of 1 million or more while simultaneously saying nobody really knows.

**The White House had no choice** but to step back from Trump's initial push to re-open much of the economy by Easter Sunday, April 12, a date that seemed increasingly impossible given new metro areas keep popping up as hot spots and the curve is not bending.

A full, nationwide lock down would appear more likely at the moment than a swift reopening, meaning even bigger hits to markets and the economy and the likelihood Phase 4 will be required sooner than later. Trump dismissed his initial Easter date as "aspirational."

**NEC Director Larry Kudlow on ABC's "This Week":** "I say that weeks — it could be four weeks, it could be eight weeks. ... I say that hopefully and I say that prayerfully, that's what some of the science experts are telling us. I don't know if they'll be right."

**Trump's former FDA commissioner Scott Gottlieb**, among the most prominent Covid-19 commentators on Twitter, co-authored a plan for restarting the economy. It suggests some distancing measures could be reduced in areas that show sustained declines in cases for 14 days, all residents with virus symptoms can be tested, and hospitals have the capacity to treat all patients. His full report is here. We would not return to a mostly normal state until a vaccine is found, which is at least a year away.

**All about speed** — On the financial aid for Americans and businesses front, speed is of the utmost essence as April 1 hits on Wednesday and new mortgages, rent, payroll and scores of other bills begin to come due.

Deutsche Bank's Torsten Slok: "Not only are millions of people losing their jobs, but US household balance sheets were already vulnerable before the virus hit, with delinquency rates moving up, in particular on auto loans ...

With 25% of US workers making less than \$600 a week, how deep this recession will be depends importantly on how long it will take before the stimulus money arrives into the hands of consumers."

### **DRIVING THE DAY**

**FUTURES OPEN LOWER** — Stock futures opened up lower last night, on the grim coronavirus news. But the dip wasn't huge, at least early on.

**DRIVING THE WEEK: IGNORE THE JOBS REPORT** — Markets will hang on each coronavirus curve update ... Consumer confidence on Tuesday at 10:00 a.m. expected to drop to 110 from 130.7 but a bigger dip is possible ...

Jobless claims at 8:30 a.m. on Thursday expected to dip to a still massive 2.5M from a record 3.3M. Again, risk is to the upside here. ... The March jobs report expected to show a loss of only around 100K jobs. But ignore it. The survey week was largely before the coronavirus lockdowns. The April number will tell the tale.

## **CORONAVIRUS EFFECTS**

**TRUMP DROPS THE D-BOMB** — From the Sunday presser: “You are going to have depression in the economy also. But you're going to have mental depression for people.”

**HOW HIGH WILL CLAIMS GO?** — University of Minnesota’s Aaron Sojourner: “Google Trends search interest in ‘file for unemployment’ was up about 30% nationally ... The tricky part is that last week’s number was too low due to challenges states had in processing claims. ... Last Thursday, we forecast 4.7M ... I would stick with that now”

**HOT READ** — Go inside the last 15 frenetic days in the White House via our Meridith McGraw and Caitlin Oprysko with lots of contributors: “An eerie quiet crept over the White House. Desks were empty. Office lights were turned off. Many staffers had been told to work from home....”

**HERE COMES THE FIRST BIG HIT** — WSJ’s Ruth Simon, Esther Fung, Suzanne Kapner and Heather Haddon.: “Congress has passed a \$2 trillion rescue plan but before those funds start to flow, American companies from the owner of a single liquor store in Boston to corporate giants like Macy’s Inc., must decide what to do about April’s bills: Which obligations do they pay and which can they put off? How many employees can they afford to keep on the payroll? Can they get a break on rent?”

**MNUCHIN URGES BUSINESSES TO GET LOANS** — Treasury Secretary Steven Mnuchin on “Fox News Sunday”: “The SBA is working very closely with the Treasury. We expect to have a program up on Friday, that will be up and running, that will cover half of the private workforce. ...

“I encourage all small businesses to take out these loans, because if you go and hire back your workers for 8 weeks, you will have a forgivable loan and the government will pay for that.”

**KUDLOW ON TIMING** — Our Rishika Dugyala: “Larry Kudlow is a self-described optimist — but he said he cannot ‘wave the magic wand’ and return the country to pre-pandemic business as usual.”

**WHO WON THE RESCUE PACKAGE?** — Our Michael Grunwald: “A review of the CARES Act that Trump signed Friday suggests Democrats did manage to influence its direction, shifting some of its aid to individuals towards lower-income families, while imposing some conditions on its aid to businesses—changes that Trump is already taking credit for. ...

“But Republicans won some huge concessions from Democrats, most notably a \$500 billion bailout fund for big businesses and a \$170 billion tax break for real estate investors like the president. And Democrats didn’t get much that Trump didn’t actually want in exchange for helping him pour cash into the locked-down economy in an election year.”

**U.S. PREPS A BANK BAILOUT JUST IN CASE** — Our Zachary Warmbrodt: “Tucked inside Congress’ \$2 trillion economic rescue package for America is sweeping authority for the government to come to the aid of the one industry that has insisted it doesn’t need a bailout: the big banks.

“Lenders that the government saved in the 2008 financial crisis have been touting the strength of their balance sheets heading into the coronavirus pandemic. But Congress is backstopping them anyway with a provision in the bill that would give the Federal Deposit Insurance Corp. power to guarantee checking accounts beyond the \$250,000 in deposit insurance that it now offers bank customers.”



## MARKETS

**JUST HOW CRAZY HAVE THEY BEEN?** — Mohamed A. El-Erian on Bloomberg View: “It’s hard to believe, but in just more than a month, U.S. stocks, as measured by the Dow ... have gone from a record high to the fastest correction in history to the best week since 1938”

**U.S. REBUFFS CALLS TO CLOSE STOCK MARKET** — WSJ’s Alexander Osipovich: “The Trump administration has vowed to keep the stock market open, even as the coronavirus pandemic and a steep selloff have led some commentators and politicians to suggest a temporary closure could soothe frightened investors.”

**Here are a few graphics from Reuters** looking at the three months that shook global markets.

**INVESTORS WORRY MARKETS AREN’T OUT OF THE WOODS** — Reuters’ Megan Davies and April Joyner: “After a brutal meltdown, some investors have been wading back into U.S. stocks. But others are wary of another leg down as the coronavirus spreads and its economic impact is difficult to predict.

## FLY AROUND

**BIDEN LEADS BUT NOT BY MUCH** — Our Steven Shepard: “Three polls released over the last week show Joe Biden ... Trump among voters nationwide, despite the uptick in Trump’s approval rating as his administration confronts the coronavirus outbreak engulfing the U.S.

“Biden’s lead is far from secure, given the tumultuous situation gripping the country and Trump’s 2016 advantage in the Electoral College. The latest result, in an ABC News/Washington Post poll released Sunday, shows Biden with just a 2-point lead over Trump, 49 percent to 47 percent — well within the survey’s margin of error.”

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## FOR YOUR RADAR

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**From:** (b)(6)  
**Sent:** Tue, 31 Mar 2020 08:35:58 -0400  
**To:** Undisclosed recipients:  
**Subject:** 03-31-2020 PA Senior Staff Notes  
**Attachments:** 03-31-2020 PA Senior Staff Notes.docx

March 31, 2020

**Public Affairs Notes:**

**This week:**

- **There are no public events to report for the remainder of the week. Updates will be provided as they become available.**

**SECRETARY MENTIONS**

**Mnuchin Signals Openness To Additional Stimulus As Pelosi Begins Push For Another Relief Bill. (WSJ, POLITICO, FOX, AP, NYT, HILL, LAW360)**

The Wall Street Journal (3/30, Seib) reports House Speaker Nancy Pelosi is pushing for a four-phase stimulus bill to help cover costs of some increasing workplace needs, such as medical leave, more protections for people at risk of coronavirus, government funds for coronavirus tests, and money for pension funds at risk from the coronavirus economic impact.

Politico (3/30, Ferris, Desiderio, Levine) reports the stimulus bill signed by President Trump on Friday “was largely negotiated by Senate leaders and caused consternation among House Democrats who felt many of their priorities had been ignored.” However, Republicans have argued that the previous package “was crafted almost entirely by Pelosi and Treasury Secretary Steven Mnuchin.”

Fox News (3/30, Singman) reports “lawmakers on Capitol Hill and administration officials are contemplating yet another piece of legislation to provide economic relief amid the coronavirus outbreak.” The latest signal of such an intention “came Monday, when Treasury Secretary Steven Mnuchin said he would be willing to ask Congress for more money for small businesses and those in the private workforce should it be necessary.” Mnuchin, speaking in a Fox Business interview Monday, said, “This is a very popular program with Republicans and Democrats, and the president likes it a lot. If we run out of money, and this is a huge success, we will absolutely go back to Congress and ask for more money.” The AP (3/30, Miller, Colvin) reports the Trump Administration is “considering providing hazard pay for medical professionals who are on the front lines of the pandemic.” Secretary Mnuchin said in the Fox Business interview that he agreed, saying the idea “makes a lot of sense” and is “definitely something we’ll put in the next bill.”

However, The New York (NY) Times (3/30, Cochrane) reports, “It is not clear how quickly such a bill could materialize – Republican leaders and Steven Mnuchin, the Treasury secretary, have said they are not yet certain that more help would be needed, or when – but in outlining her plans on Monday, Ms. Pelosi made it clear that the path to any further government assistance would run through her office, and that Democrats would press for another large package sooner rather than later.”

Also reporting are The Hill (3/30, Jagoda) and Law360 (3/30, Ota).

**Acting Pentagon IG Will Lead Panel Overseeing Emergency Spending. (POLITICO, BLOOM, WP, CQRC, NBCNEWS, VOX, AP)**



Politico (3/30, Cheney) reports that ten inspectors general for government agencies “appointed Glenn Fine, the acting inspector general for the Pentagon, to lead the newly created committee that oversees implementation of \$2 trillion coronavirus relief bill signed by President Donald Trump last week.” According to Politico, Fine “will lead a panel of fellow inspectors general, dubbed the Pandemic Response Accountability Committee, and command an \$80 million budget meant to ‘promote transparency and support oversight’ of the massive disaster response legislation.” Politico says the Pandemic Response Accountability Committee is “one of three major prongs in the new law meant to provide oversight of the enormous sums to be doled out by the Trump administration. The others include a new ‘special inspector general’ to oversee the Treasury Department’s disbursal of \$500 billion in funds to support distressed industries and shore up the collapsing economy.”

Bloomberg (3/31, Mohsin) reports Fine’s appointment is “separate from the special inspector general the law creates at the Treasury Department, who will be nominated by Trump and confirmed by the Senate. That office, to sit inside of Treasury, will have an operating budget of about \$25 million for five years and submit quarterly reports to Congress.” Bloomberg also says, “Several White House aides were unhappy that Treasury Secretary Steven Mnuchin agreed to the oversight in the first place, according to two people familiar with the matter.”

In its daily “The Finance 202” rundown, The Washington Post (3/30, Newmyer) reports Secretary Mnuchin “secured an eye-popping \$500 billion in corporate aid as part of the \$2.2 trillion emergency coronavirus relief package that became law Friday. Now comes the hard part: putting it to use to salvage teetering companies.” The legislation requires Mnuchin “to work hand-in-glove with Federal Reserve Chair Jerome H. Powell, employing some novel strategies that come with the highest stakes and no clear road map.” Mnuchin “has also indicated the government would take equity stakes in the companies in return for direct grants.” Additionally, The Post highlights a “threshold decision facing the Fed and Treasury: How much of a risk they are willing to take on less creditworthy businesses.”

In a separate report, Politico (3/30, Guida, Meyer) says lobbyists “are working to shape the rules governing the \$454 billion loan program for big and medium-sized businesses outlined in the law and backed by the Fed, which Treasury Secretary Steven Mnuchin must publish within a week.” The new rules “will determine which companies will be able to apply for loans. Businesses with mediocre credit, bad credit or no credit at all – including those whose bond ratings have been downgraded in recent weeks as the coronavirus has ravaged the economy – are worried about being excluded.”

CQ Roll Call (3/30, Donnelly), NBC News (3/30, Caldwell), and Vox (3/30, Stewart) also report.

***Questions Rise Over Possibility Of Abuse In Coronavirus Stimulus Aid For Companies.*** The AP (3/30, Gordon) reports, “A \$500 billion federal aid package for companies and governments hurt by the coronavirus includes rules aimed at ensuring that the money is used in ways that would help sustain the economy. But questions are being raised about whether those guardrails will prevent the kinds of abuses that have marked some corporate bailouts of the past.” The legislation “establishes a system of oversight for how companies can use the rescue money. The oversight is widely thought to exceed the standards for the bailouts of banks and automakers in the 2008-09 financial crisis.” Wayne State University law professor Peter Henning “notes that the bailout program gives wide latitude to Treasury Secretary Steven Mnuchin.” Henning said, “Secretary Mnuchin has authority to basically negotiate any kind of loan that he wants. ... We’ll see who gets favored and who doesn’t.”

**Mnuchin: Instructions For SBA Loans Should Be Released Monday. (FOX, HILL, WSJ, AP, WT, WASHEX, USAT)**

Fox Business (3/30, Henney) reports Treasury Secretary Steven Mnuchin, in a Fox Business interview Monday, said he “anticipates having documents and instructions available on the Small Business Administration’s website for business owners today.” Mnuchin “said...that small business owners could



receive instructions on how to file for federal aid set as soon as today, as the coronavirus pandemic batters bars, restaurants and retailers across the U.S.”

The Hill (3/30, Jagoda) reports Secretary Mnuchin on Monday “said he hopes that the administration will release documents and instructions later in the day covering how small businesses can apply for loans created by the coronavirus relief package President Trump signed on Friday.” In his interview on Fox Business, Mnuchin “said that the process for obtaining the loans will be ‘very simple,’ and that small-business owners will be able to go to existing Small Business Administration lenders as well as banks, credit unions and financial technology lenders to apply.” Mnuchin added, “We expect this will be very, very easy.”

The Wall Street Journal (3/30, Davidson) reports that Mnuchin said he expects details on the SBA loans to be released on Monday, adding that, if the program is successful, officials may go back to Congress to ask for more money.

The AP (3/30, Rosenberg), the Washington Times (3/30, Sherfinski), and the Washington Examiner (3/30, Heflin) also report.

***Mnuchin: \$2T Stimulus Should Get US Through Next 8-12 Weeks.*** USA Today (3/30, Cummings, Hayes, Jackson) reports Secretary Mnuchin said in the Fox Business interview Monday that the \$2 trillion stimulus package signed into law last week by President Trump “is expected to help America endure the hardships caused by the coronavirus outbreak for the next two to three months.” Mnuchin said, “We have a lot of money as you know, over \$2 trillion, to put to work. Plus, we can lever another \$4 trillion with the Federal Reserve. We think this existing package gets us through the next 8-12 weeks.”

***Mnuchin: Administration Working To Stand Up Online System For Relief Money Distribution.*** The Hill (3/30, Jagoda) reports Mnuchin “said Sunday that the administration is working to create an online system that will allow people to submit their direct-deposit information to the government so that they can receive their coronavirus relief checks more quickly.” Mnuchin, speaking on CBS News’ Face The Nation, said, “We will create a web-based system for people where [if] we don’t have their direct deposit [information], they can upload it, so that they can get the money immediately, as opposed to checks in the mail.”

### **Mnuchin: Now Is Great Opportunity For Long-Term Investment In US. (REU)**

Reuters (3/30, Shalal, Chiacu) reports Treasury Secretary Steven Mnuchin “said on Monday that the U.S. economy would have a ‘rough quarter’ due to the coronavirus, but the underlying fundamentals were sound and it was a great time for long-term investors to put money into the United States.” Mnuchin “told Fox Business that small businesses would receive details on Monday on where and how to apply for some \$350 billion in emergency virus-relief loans, and the Trump administration was ready to ask Congress for more funding if the current program did not suffice.” Mnuchin said, “I expect that with all of this liquidity we’re putting into the economy to get through the next couple of months, when we reopen, we’ll be ready and the economy will surge back.”

### **Treasury Looks To Formalize Roles For Officials Implementing Stimulus Package. (WP)**

The Washington Post (3/30, Stein) reports the Treasury Department “is looking at creating new roles for some of its top officials as they work to rapidly implement to the \$2 trillion coronavirus stimulus law, according to three people with knowledge of the discussions.” Treasury Secretary Steven Mnuchin “played a central role in helping Congress write the law, and has made multiple media appearances in recent days pledging to swiftly the law into action. But a number of his top advisers are working behind the scenes to coordinate the rollout, and their roles could be formalized soon.” The Post says the “effort to split up tasks is particularly challenging because the Treasury Department had a number of key vacancies at senior levels, with Mnuchin preferring to lead a relatively lean agency. During the financial crisis in 2008, the Treasury Department was largely fully staffed and they still brought on dozens of additional advisers. So far, Treasury seems to be looking from within for help in managing new bailout programs.”



### **Administration Officials Say Mnuchin Prevailed In Internal Debate Over Renewing Waivers On Iran Sanctions. (AP, REU, HILL)**

The AP (3/30, Lee) reports the Trump Administration on Monday “renewed several waivers on U.S. sanctions against Iran, allowing Russian, European and Chinese companies to continue to work on Iran’s civilian nuclear facilities without drawing American penalties.” Secretary of State Mike Pompeo “signed off on the waiver extensions but couched the decision as one that continues restrictions on Iran’s atomic work.” The AP says “officials familiar with the matter said Pompeo had opposed extending the waivers, which are among the few remaining components of the 2015 Iran nuclear deal that the administration has not cancelled.” However, the officials “said Treasury Secretary Steven Mnuchin had prevailed in an internal debate on the subject last week by arguing that the coronavirus pandemic made eliminating the waivers unpalatable at a time when the administration is being criticized for refusing to ease sanctions to deal with the outbreak.” Reuters (3/30, Pamuk, Mohammed) and The Hill (3/30, Bowden) also report.

### **Major Airlines Push Treasury To Distribute Aid Quickly. (REU, POLITICO, BLOOM, WSJ)**

Reuters (3/30, Shepardson) reports major US airlines “asked the U.S. Treasury to move quickly to release up to \$58 billion in government grants and loans and recommended a formula to divide up the money. In a letter dated Saturday and seen by Reuters, carriers wrote that ‘given the urgent and immediate need, it is essential that these funds be disbursed as soon as possible.’” The airlines “said Treasury should allocate grants in accordance with salaries and benefits paid by carriers from April 1 through Sept. 30, 2019 and filed with the U.S. Transportation Department.” The letter also “said executives looked forward to meeting with Treasury ‘to discuss the specific terms’ but wanted to ‘make clear that we are speaking with one voice when we propose these formula allocations.’”

Politico (3/30, Mintz) reports the airlines are “staying quiet about how exactly they’re planning to use the money. ... There’s still a lack of clarity about all the terms and conditions that come with the money, airline analysts said, meaning industry lawyers will be poring over the law this week.” Politico notes Treasury Secretary Steven Mnuchin can get “warrants, options, preferred stock, debt securities, notes, or other financial instruments” from airlines that are recipients of aid.

***Treasury Releases Airline Aid Guidelines, Tells Airlines To Propose Financial Stake.*** Under the headline “Mnuchin Asks Airlines to Propose Financial Stake in Aid Bid,” Bloomberg (3/31, Mohsin) reports airline companies “will be required to propose up-front how the federal government could retain financial stakes in their companies in exchange for a share of \$61 billion in coronavirus aid designated for the industry, according to guidelines released by the Treasury Department.” The assistance “is aimed at helping U.S. carriers stay afloat and continue to pay workers, as companies struggle with a near 90% drop in passenger traffic because of the widening pandemic.” The Wall Street Journal (3/30, Davidson, Sider) and Reuters (3/31, Shepardson, Rucinski) also report.

### **Rogin: Mnuchin Among Officials Who Pushed Back On Early NSC Efforts To Sound Alarms About Coronavirus. (WP)**

In his column for The Washington Post (3/30, Rogin), Josh Rogin writes that the COVID-19 pandemic “is first and foremost a public health crisis – but it is also a massive national security challenge,” an aspect of the crisis that “is being managed by a leaner, quieter National Security Council staff that sounded early alarms about the danger – even as others played down the threat.” Rogin says the NSC’s “behind-the-scenes role has been overlooked by critics narrowly focused on whether the folding into the NSC of a previously separate ‘pandemic office’ resulted in what’s seen as the administration’s chaotic response. But the NSC was actually calling for more robust action and working to get more health officials involved.” Rogin says National Security Advisor Robert C. O’Brien and his deputy, Matthew Pottinger, “were among those pushing early for strong action” and “repeatedly pressed other top officials to take the threat more seriously.” Rogin cites two officials saying Treasury Secretary Steven Mnuchin, among other officials, “resisted calls from the NSC and the State Department for early moves that Trump



now touts – including the travel bans from China and, later, Europe.” Rogin says Mnuchin “argued the moves would negatively impact trade, markets and industries like airlines.”

### **Hogan, Whitmer: Here’s What Governors Need From Federal Government To Battle COVID-19. (WP)**

Maryland Gov. Larry Hogan (R) and Michigan Gov. Gretchen Whitmer (D) write in the Washington Post (3/30), “Here’s what the United States’ governors urgently need from Washington” and call for “test kits, medical supplies and other lifesaving equipment” urging President Trump to make greater use of “the Defense Production Act to direct companies to produce ventilators and protective gear for medical workers.” Hogan and Whitmer also say FEMA should be the “single authority tracking where every spare ventilator is or where there are shortages.” The governors write that they have “asked Treasury Secretary Steven Mnuchin to allow governors broad discretion in how we spend federal coronavirus relief funds – without imposing onerous reporting requirements that only waste time and money.” They add they have “also asked Mnuchin to designate a senior Treasury official to serve as a point of contact to quickly address any issues regarding the distribution of this aid.”

### **Commentary: Bankruptcy Law Needs An Update Amid COVID-19 Impact. (WSJ)**

In an op-ed for The Wall Street Journal (3/30, Ayotte, Skeel), University of California, Berkeley law professor Kenneth Ayotte and University of Pennsylvania law professor David Skeel write that America’s bankruptcy system is likely not prepared for the wave of bankruptcy declarations coming as a result of the economic impact from COVID-19. Ayotte and Skeel say that, while they would like to advise Treasury Secretary Steven Mnuchin to let big companies fight their own battles in bankruptcy court, bankruptcy laws must be updated to help small businesses that will be most impacted by the downturn.

## **BROADCAST LINKS**

### **Mnuchin: New Small Business Lending Program To Start Friday. (FOX)**

In a phone interview with Fox Business’ Varney & Co. (3/30), Treasury Secretary Steven Mnuchin was asked when small businesses will be able to apply for the loans that are part of CARES Act. Mnuchin said, “These loans will be available starting on Friday, which will be at lightning speed. We hope later today, that we will be releasing the documents and the instructions. It will be a very simple process where small business owners can go to any of the existing SBA lenders, but they can also go to any FDIC-insured institution, any credit union, and any FinTech lender that signed up for this program. We expect it will be very easy. They will get eight weeks of payroll, plus 25 percent for overhead. And as long as they use that money to bring back their employees or pay their employees, it will be forgiven. This is a great way of getting Americans back to work.”

## **POLITICO MORNING MONEY**

**THE ECONOMIC HIT GETS REAL** — The titanic punch to the U.S. economy from the coronavirus will become even more clear this week as scores of bills come due for American citizens and businesses from rent and mortgages, to payrolls, credit cards, auto loans and much more. We will also get a pile of economic data, some useful, some definitely not. Beware March payrolls the most.

The Consumer Sentiment number out Tuesday morning is expected to drop from 130.7 to 110, a 40-month low, though some economists fear it could be much worse and has far further to fall. This is a month-long survey so some clearly weighed in before the worst of the lock downs began. A stronger reading plus any good news on bending the curve could lead to the best of a range of possible outcomes from bad to cataclysmic.



**The bad** — This would require the U.S. to start bending the curve sometime in April with people able to start returning to work by May or June. It would also require all the federal government's rescue programs including direct payments to individuals and forgivable loans to small business to work quickly and seamlessly and stem the flood of layoffs.

Under this scenario, jobless claims should start to decline. The U.S. reports jobless claims Thursday. Consensus is a decline to 2.5 million after the record smashing 3.3 million last week. If the number is far higher – and it may be – this scenario will become even less likely. University of Minnesota's Aaron Sojourner sees a 4.7 million claims number.

Under this scenario, we would get one terrible jobs number for April. Economic growth would drop only 5 or 10 percent in the second quarter and then start to rebound in the third and fourth as pent up demand is unleashed and people still have jobs.

The government reports the March jobs number on Friday. But they won't mean much as the survey week occurred before the big wave of coronavirus lockdowns. Consensus is for a loss of just 100,000. The real hit will show up in the April numbers.

**The very bad** – The above seems fairly unlikely. Medical professionals mostly say it will take longer to bend the curve as new hot spots emerge from New Orleans to Detroit and Los Angeles. This would extend lockdowns into the summer.

The initial infusion of cash from the federal government would not be able to keep up. Jobless claims would continue to rise and the unemployment rate could quickly hit double digits. State budgets would also start cratering. And Consumer Sentiment would plunge, leading to a sharp pullback in spending. **FWIW, MM thinks something along these lines is the most likely scenario.**

**The worst** – The Doomsday scenario involves multiple recurring outbreaks in the U.S. and the death toll topping 1 million. This could require a total quarantine of the entire nation, perhaps for months.

That would destroy economic growth and lead to a depression in which the stock market collapses, entire industries go bankrupt and joblessness easily tops the Great Depression high of 24.9 percent. This scenario could also entail mass public unrest that could require a military response. Not likely. Not impossible.

## **DRIVING THE DAY**

More of the same. All coronavirus, all the time. Consumer Confidence at 10:00 a.m. expected to drop from 130.7 to 110, a 40-month low.

## **CORONAVIRUS EFFECTS**

**SPEAKING OF BAD SCENARIOS** — Morgan Stanley analysts now see “a 47% annualized decline in business investment in [the second quarter of 2020]. The monthly index in March moved down by 22.9 points, which represents a drop in magnitude of more than two standard deviations, to the lowest level since May 2009.”

**CONGRESS WANTS TO STAY AWAY; MAY NOT BE ABLE TO** — Our Burgess Everett, Heather Caygle, and John Bresnahan: “After passing the largest economic relief bill in history, Congress is now considering staying away from Washington for a month or more as the coronavirus makes even the routine act of legislating a dangerous risk for new transmissions.

**MM SIDEBAR** — If the coronavirus crisis gets worse and the economic data start to point to state budget collapses and massive increases in layoffs, this won't be tenable.

**PELOSI WANTS QUICK PHASE 4** — Our Sarah Ferris, Andrew Desiderio, and Marianne LeVine: “House Democrats are moving rapidly on ambitious plans for a fourth coronavirus relief package, with

Speaker Nancy Pelosi eager to put her imprint on legislation that she says could be ready for a vote in the coming weeks.

“Pelosi told reporters Monday that Democrats are in the early stages of drafting another major bill that will not only shore up health systems and protect frontline health care workers but could include substantial investments in infrastructure.”

**BIG RISE IN ANXIETY** — Via new data from Fluent, Inc., a performance marketing company: “For its first installment of Fluent Pulse, Fluent conducted a survey of over 1.85 million opted-in U.S. adults.

“As of March 30, the survey revealed a 70% spike in overall nervousness over the last 20 days among Americans ages 18+. Of those, 46% of U.S. consumers surveyed reported being somewhat nervous or very nervous about the COVID-19 pandemic, compared to only 27% of consumers reporting this same sentiment two weeks prior.”

**MORE HELP FOR GIG WORKERS** — Our Kellie Mejdrih: “A leading House Republican called on ... Trump's administration to ensure that gig workers are eligible for equity compensation as part of the \$2 trillion coronavirus response bill.”

**HOW MANY CAN WORK AT HOME?** — Univ. of Chicago white paper by Jonathan Dingel and Brent Neiman: “Our classification implies that 34 percent of U.S. jobs can plausibly be performed at home.

**BIG COMPANIES MAY NOT QUALIFY** — Our Victoria Guida and Theodoric Meyer: “Macy’s and Gap Inc. are furloughing most of their workers as their sales collapse — but they might not qualify for the massive backstop for companies that Congress just passed because their finances are so bad that their debt is rated as junk.

“The two iconic retailers and other companies running out of cash can’t tap into the new loan program backed by the Federal Reserve because it’s only available to corporations whose debt is considered safe by credit rating firms. Retailers, casinos and other industries are now lobbying the Treasury Department and the Fed”

**BANKS PRESS ADMINISTRATION ON SMALL BUSINESS LOANS** — Our Zachary Warmbrodt: “Banks are pleading for clear guidelines from the Trump administration about how to begin offering \$350 billion in small business loans that Congress unlocked last week as part of the massive coronavirus economic rescue package.

“Private lenders will play a lead role in delivering the government-backed loans, which can be forgiven if businesses maintain their payroll. The scale of the effort is gigantic, amounting to 15 times what the Small Business Administration's flagship "7(a)" loan program gave out in fiscal 2019.”

**MORE ON THE DOOMSDAY SCENARIO** — St. Louis Fed economist Miguel Faria-e-Castro analysis resulted “in 47.05 million people being laid off during this period. Summing to the initial number of unemployed in February, this resulted in a total number of unemployed persons of 52.81 million. Given the assumption of a constant labor force, this resulted in an unemployment rate of 32.1%.”

**NEW TOOL TO TRACK CLAIMS** — Per release: “[T]he Tax Foundation released a new interactive tool that allows users to see claims amounts by state”

**USMCA DELAY?** — Our Sabrina Rodriguez: “The Trump administration is not on track for the new North American trade pact to fully go into effect as planned on June 1, making it likely that automakers will have extra time to prepare to comply with the deal's new rules, multiple people familiar with the talks told POLITICO.”

## MARKETS



**WALL STREET'S RALLY ROLLS ON** — AP's Stan Choe and Alex Veiga: "U.S. stocks climbed Monday, led by big gains for health care companies announcing developments that could aid in the coronavirus outbreak. The rally tacked more gains onto a recent upswing for the market, which is coming off the best week for the S&P 500 in 11 years."

**MNUCHIN: GREAT TIME FOR LONG-TERM INVESTORS TO PUT MONEY INTO U.S.** — Reuters' Andrea Shalal and Doina Chiacu: "U.S. Treasury Secretary Steven Mnuchin said on Monday that the U.S. economy would have a 'rough quarter' due to the coronavirus, but the underlying fundamentals were sound and it was a great time for long-term investors to put money into the United States."

## **FLY AROUND**

**GOLDMAN EXEC BANNED** — Our Kellie Mejdrich: "The SEC banned former Goldman Sachs executive Bryan Cohen from trading in stocks and from committing any potential violations of securities laws after he pleaded guilty to insider trading, the regulator announced today. The order — which was entered in court Wednesday — comes after federal officials took multiple legal actions against him."

**FED DATA POINTS TO ECONOMIC PAIN, WORRISOME EBBS IN INFLATION** — WSJ's Michael S. Derby: "The first wave of data capturing the front end of the new coronavirus crisis is dribbling in, and regional Federal Reserve Banks are tallying up the ugly picture. On Monday, the New York Fed launched a 'Weekly Economic Index' aimed at capturing where the economy is in near real time, and extrapolated historical levels based on past data."

"In its first outing, the index showed 'developments in the past week saw the index fall to a level unseen since 2008,' during the heat of the financial crisis. The report's authors note that their index seeks to show what a given quarter's activity would look like if it persisted for a year."

**ICYMI: WALL STREET QUIETLY TELLS COMPANIES NOT TO DRAW THEIR LOANS** — Bloomberg's Michelle F. Davis and Paula Seligson: "The biggest U.S. banks have been quietly discouraging some of America's safest borrowers from tapping existing credit lines amid record corporate drawdowns on lending facilities, according to people familiar with the behind-the-scenes conversations."

"For Wall Street, it's not an issue of liquidity so much as profitability. Investment-grade revolvers — especially those financed in the heyday of the bull market — are a low margin business, and some even lose money. The justification is that they help cement relationships with clients who will in turn stick with the lenders for more expensive capital-markets or advisory needs."

**POWELL LEADS FED INTO UNCHARTED WATERS** — WSJ's Nick Timiraos: "To meet the dislocation the coronavirus pandemic unleashed on the economy, Federal Reserve Chairman Jerome Powell has mobilized the central bank to move faster and farther than ever before. In the short weeks since financial markets seized up, Mr. Powell has placed the Fed on wartime footing. He took up the central bank's playbook from the 2008 financial crisis and then some — cutting rates to near zero, purchasing huge quantities of government debt and, breaking a taboo, lending to American businesses."

**AS CORONAVIRUS SPREADS, COMMUNITY BANKS WATCH FOR FALLOUT** — WSJ's Orla McCaffrey: "The economic fallout of the novel coronavirus poses a new challenge for small banks across the country. Most of America's banks are like Fisher National — woven into the local economy and a key source of credit for small businesses."

**JPMORGAN LOOKS TO RAISE \$10B FOR ALTERNATIVE INVESTMENTS** — Reuters: "JPMorgan Chase & Co's alternative investments unit is looking to raise up to \$10 billion to boost its spending power in the face of the coronavirus pandemic, a source familiar with the matter said on Monday. The bank plans to raise \$5 billion to \$10 billion in the next couple of months from clients"

including pension funds, sovereign-wealth funds, family offices and private banks, according to the source.”



March 31, 2020

## Public Affairs Notes:

### This week:

- There are no public events to report for the remainder of the week. Updates will be provided as they become available.

## SECRETARY MENTIONS

### **Mnuchin Signals Openness To Additional Stimulus As Pelosi Begins Push For Another Relief Bill. (WSJ, POLITICO, FOX, AP, NYT, HILL, LAW360)**

The Wall Street Journal (3/30, Seib) reports House Speaker Nancy Pelosi is pushing for a four-phase stimulus bill to help cover costs of some increasing workplace needs, such as medical leave, more protections for people at risk of coronavirus, government funds for coronavirus tests, and money for pension funds at risk from the coronavirus economic impact.

Politico (3/30, Ferris, Desiderio, Levine) reports the stimulus bill signed by President Trump on Friday “was largely negotiated by Senate leaders and caused consternation among House Democrats who felt many of their priorities had been ignored.” However, Republicans have argued that the previous package “was crafted almost entirely by Pelosi and Treasury Secretary Steven Mnuchin.”

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***Questions Rise Over Possibility Of Abuse In Coronavirus Stimulus Aid For Companies.*** The AP (3/30, Gordon) reports, “A \$500 billion federal aid package for companies and governments hurt by the coronavirus includes rules aimed at ensuring that the money is used in ways that would help sustain the economy. But questions are being raised about whether those guardrails will prevent the kinds of abuses that have marked some corporate bailouts of the past.” The legislation “establishes a system of oversight for how companies can use the rescue money. The oversight is widely thought to exceed the standards for the bailouts of banks and automakers in the 2008-09 financial crisis.” Wayne State University law professor Peter Henning “notes that the bailout program gives wide latitude to Treasury Secretary Steven Mnuchin.” Henning said, “Secretary Mnuchin has authority to basically negotiate any kind of loan that he wants. ... We’ll see who gets favored and who doesn’t.”

### **Mnuchin: Instructions For SBA Loans Should Be Released Monday. (FOX, HILL, WSJ, AP, WT, WASHEX, USAT)**

Fox Business (3/30, Henney) reports Treasury Secretary Steven Mnuchin, in a Fox Business interview Monday, said he “anticipates having documents and instructions available on the Small Business Administration’s website for business owners today.” Mnuchin “said...that small business owners could receive instructions on how to file for federal aid set as soon as today, as the coronavirus pandemic batters bars, restaurants and retailers across the U.S.”

The Hill (3/30, Jagoda) reports Secretary Mnuchin on Monday “said he hopes that the administration will release documents and instructions later in the day covering how small businesses can apply for loans created by the coronavirus relief package President Trump signed on Friday.” In his interview on Fox Business, Mnuchin “said that the process for obtaining the loans will be ‘very simple,’ and that small-business owners will be able to go to existing Small Business Administration lenders as well as banks,



credit unions and financial technology lenders to apply.” Mnuchin added, “We expect this will be very, very easy.”

The Wall Street Journal (3/30, Davidson) reports that Mnuchin said he expects details on the SBA loans to be released on Monday, adding that, if the program is successful, officials may go back to Congress to ask for more money.

The AP (3/30, Rosenberg), the Washington Times (3/30, Sherfinski), and the Washington Examiner (3/30, Heflin) also report.

***Mnuchin: \$2T Stimulus Should Get US Through Next 8-12 Weeks.*** USA Today (3/30, Cummings, Hayes, Jackson) reports Secretary Mnuchin said in the Fox Business interview Monday that the \$2 trillion stimulus package signed into law last week by President Trump “is expected to help America endure the hardships caused by the coronavirus outbreak for the next two to three months.” Mnuchin said, “We have a lot of money as you know, over \$2 trillion, to put to work. Plus, we can lever another \$4 trillion with the Federal Reserve. We think this existing package gets us through the next 8-12 weeks.”

***Mnuchin: Administration Working To Stand Up Online System For Relief Money Distribution.*** The Hill (3/30, Jagoda) reports Mnuchin “said Sunday that the administration is working to create an online system that will allow people to submit their direct-deposit information to the government so that they can receive their coronavirus relief checks more quickly.” Mnuchin, speaking on CBS News’ Face The Nation, said, “We will create a web-based system for people where [if] we don’t have their direct deposit [information], they can upload it, so that they can get the money immediately, as opposed to checks in the mail.”

### **Mnuchin: Now Is Great Opportunity For Long-Term Investment In US. (REU)**

Reuters (3/30, Shalal, Chiacu) reports Treasury Secretary Steven Mnuchin “said on Monday that the U.S. economy would have a ‘rough quarter’ due to the coronavirus, but the underlying fundamentals were sound and it was a great time for long-term investors to put money into the United States.” Mnuchin “told Fox Business that small businesses would receive details on Monday on where and how to apply for some \$350 billion in emergency virus-relief loans, and the Trump administration was ready to ask Congress for more funding if the current program did not suffice.” Mnuchin said, “I expect that with all of this liquidity we’re putting into the economy to get through the next couple of months, when we reopen, we’ll be ready and the economy will surge back.”

### **Treasury Looks To Formalize Roles For Officials Implementing Stimulus Package. (WP)**

The Washington Post (3/30, Stein) reports the Treasury Department “is looking at creating new roles for some of its top officials as they work to rapidly implement to the \$2 trillion coronavirus stimulus law, according to three people with knowledge of the discussions.” Treasury Secretary Steven Mnuchin “played a central role in helping Congress write the law, and has made multiple media appearances in recent days pledging to swiftly the law into action. But a number of his top advisers are working behind the scenes to coordinate the rollout, and their roles could be formalized soon.” The Post says the “effort to split up tasks is particularly challenging because the Treasury Department had a number of key vacancies at senior levels, with Mnuchin preferring to lead a relatively lean agency. During the financial crisis in 2008, the Treasury Department was largely fully staffed and they still brought on dozens of additional advisers. So far, Treasury seems to be looking from within for help in managing new bailout programs.”

### **Administration Officials Say Mnuchin Prevailed In Internal Debate Over Renewing Waivers On Iran Sanctions. (AP, REU, HILL)**

The AP (3/30, Lee) reports the Trump Administration on Monday “renewed several waivers on U.S. sanctions against Iran, allowing Russian, European and Chinese companies to continue to work on Iran’s



civilian nuclear facilities without drawing American penalties.” Secretary of State Mike Pompeo “signed off on the waiver extensions but couched the decision as one that continues restrictions on Iran’s atomic work.” The AP says “officials familiar with the matter said Pompeo had opposed extending the waivers, which are among the few remaining components of the 2015 Iran nuclear deal that the administration has not cancelled.” However, the officials “said Treasury Secretary Steven Mnuchin had prevailed in an internal debate on the subject last week by arguing that the coronavirus pandemic made eliminating the waivers unpalatable at a time when the administration is being criticized for refusing to ease sanctions to deal with the outbreak.” [Reuters](#) (3/30, Pamuk, Mohammed) and [The Hill](#) (3/30, Bowden) also report.

### **Major Airlines Push Treasury To Distribute Aid Quickly. (REU, POLITICO, BLOOM, WSJ)**

[Reuters](#) (3/30, Shepardson) reports major US airlines “asked the U.S. Treasury to move quickly to release up to \$58 billion in government grants and loans and recommended a formula to divide up the money. In a letter dated Saturday and seen by Reuters, carriers wrote that ‘given the urgent and immediate need, it is essential that these funds be disbursed as soon as possible.’” The airlines “said Treasury should allocate grants in accordance with salaries and benefits paid by carriers from April 1 through Sept. 30, 2019 and filed with the U.S. Transportation Department.” The letter also “said executives looked forward to meeting with Treasury ‘to discuss the specific terms’ but wanted to ‘make clear that we are speaking with one voice when we propose these formula allocations.’”

[Politico](#) (3/30, Mintz) reports the airlines are “staying quiet about how exactly they’re planning to use the money. ... There’s still a lack of clarity about all the terms and conditions that come with the money, airline analysts said, meaning industry lawyers will be poring over the law this week.” [Politico](#) notes Treasury Secretary Steven Mnuchin can get “warrants, options, preferred stock, debt securities, notes, or other financial instruments” from airlines that are recipients of aid.

***Treasury Releases Airline Aid Guidelines, Tells Airlines To Propose Financial Stake.*** Under the headline “Mnuchin Asks Airlines to Propose Financial Stake in Aid Bid,” [Bloomberg](#) (3/31, Mohsin) reports airline companies “will be required to propose up-front how the federal government could retain financial stakes in their companies in exchange for a share of \$61 billion in coronavirus aid designated for the industry, according to guidelines released by the Treasury Department.” The assistance “is aimed at helping U.S. carriers stay afloat and continue to pay workers, as companies struggle with a near 90% drop in passenger traffic because of the widening pandemic.” The [Wall Street Journal](#) (3/30, Davidson, Sider) and [Reuters](#) (3/31, Shepardson, Rucinski) also report.

### **Rogin: Mnuchin Among Officials Who Pushed Back On Early NSC Efforts To Sound Alarms About Coronavirus. (WP)**

In his column for The [Washington Post](#) (3/30, Rogin), Josh Rogin writes that the COVID-19 pandemic “is first and foremost a public health crisis – but it is also a massive national security challenge,” an aspect of the crisis that “is being managed by a leaner, quieter National Security Council staff that sounded early alarms about the danger – even as others played down the threat.” Rogin says the NSC’s “behind-the-scenes role has been overlooked by critics narrowly focused on whether the folding into the NSC of a previously separate ‘pandemic office’ resulted in what’s seen as the administration’s chaotic response. But the NSC was actually calling for more robust action and working to get more health officials involved.” Rogin says National Security Advisor Robert C. O’Brien and his deputy, Matthew Pottinger, “were among those pushing early for strong action” and “repeatedly pressed other top officials to take the threat more seriously.” Rogin cites two officials saying Treasury Secretary Steven Mnuchin, among other officials, “resisted calls from the NSC and the State Department for early moves that Trump now touts – including the travel bans from China and, later, Europe.” Rogin says Mnuchin “argued the moves would negatively impact trade, markets and industries like airlines.”



## **Hogan, Whitmer: Here's What Governors Need From Federal Government To Battle COVID-19. (WP)**

Maryland Gov. Larry Hogan (R) and Michigan Gov. Gretchen Whitmer (D) write in the Washington Post (3/30), "Here's what the United States' governors urgently need from Washington" and call for "test kits, medical supplies and other lifesaving equipment" urging President Trump to make greater use of "the Defense Production Act to direct companies to produce ventilators and protective gear for medical workers." Hogan and Whitmer also say FEMA should be the "single authority tracking where every spare ventilator is or where there are shortages." The governors write that they have "asked Treasury Secretary Steven Mnuchin to allow governors broad discretion in how we spend federal coronavirus relief funds – without imposing onerous reporting requirements that only waste time and money." They add they have "also asked Mnuchin to designate a senior Treasury official to serve as a point of contact to quickly address any issues regarding the distribution of this aid."

## **Commentary: Bankruptcy Law Needs An Update Amid COVID-19 Impact. (WSJ)**

In an op-ed for The Wall Street Journal (3/30, Ayotte, Skeel), University of California, Berkeley law professor Kenneth Ayotte and University of Pennsylvania law professor David Skeel write that America's bankruptcy system is likely not prepared for the wave of bankruptcy declarations coming as a result of the economic impact from COVID-19. Ayotte and Skeel say that, while they would like to advise Treasury Secretary Steven Mnuchin to let big companies fight their own battles in bankruptcy court, bankruptcy laws must be updated to help small businesses that will be most impacted by the downturn.

## **BROADCAST LINKS**

### **Mnuchin: New Small Business Lending Program To Start Friday. (FOX)**

In a phone interview with Fox Business' Varney & Co. (3/30), Treasury Secretary Steven Mnuchin was asked when small businesses will be able to apply for the loans that are part of CARES Act. Mnuchin said, "These loans will be available starting on Friday, which will be at lightning speed. We hope later today, that we will be releasing the documents and the instructions. It will be a very simple process where small business owners can go to any of the existing SBA lenders, but they can also go to any FDIC-insured institution, any credit union, and any FinTech lender that signed up for this program. We expect it will be very easy. They will get eight weeks of payroll, plus 25 percent for overhead. And as long as they use that money to bring back their employees or pay their employees, it will be forgiven. This is a great way of getting Americans back to work."

## **POLITICO MORNING MONEY**

**THE ECONOMIC HIT GETS REAL** — The titanic punch to the U.S. economy from the coronavirus will become even more clear this week as scores of bills come due for American citizens and businesses from rent and mortgages, to payrolls, credit cards, auto loans and much more. We will also get a pile of economic data, some useful, some definitely not. Beware March payrolls the most.

The Consumer Sentiment number out Tuesday morning is expected to drop from 130.7 to 110, a 40-month low, though some economists fear it could be much worse and has far further to fall. This is a month-long survey so some clearly weighed in before the worst of the lock downs began. A stronger reading plus any good news on bending the curve could lead to the best of a range of possible outcomes from bad to cataclysmic.

**The bad** — This would require the U.S. to start bending the curve sometime in April with people able to start returning to work by May or June. It would also require all the federal government's rescue

programs including direct payments to individuals and forgivable loans to small business to work quickly and seamlessly and stem the flood of layoffs.

Under this scenario, jobless claims should start to decline. The U.S. reports jobless claims Thursday. Consensus is a decline to 2.5 million after the record smashing 3.3 million last week. If the number is far higher – and it may be – this scenario will become even less likely. University of Minnesota’s Aaron Sojourner sees a 4.7 million claims number.

Under this scenario, we would get one terrible jobs number for April. Economic growth would drop only 5 or 10 percent in the second quarter and then start to rebound in the third and fourth as pent up demand is unleashed and people still have jobs.

The government reports the March jobs number on Friday. But they won’t mean much as the survey week occurred before the big wave of coronavirus lockdowns. Consensus is for a loss of just 100,000. The real hit will show up in the April numbers.

**The very bad** – The above seems fairly unlikely. Medical professionals mostly say it will take longer to bend the curve as new hot spots emerge from New Orleans to Detroit and Los Angeles. This would extend lockdowns into the summer.

The initial infusion of cash from the federal government would not be able to keep up. Jobless claims would continue to rise and the unemployment rate could quickly hit double digits. State budgets would also start cratering. And Consumer Sentiment would plunge, leading to a sharp pullback in spending. **FWIW, MM thinks something along these lines is the most likely scenario.**

**The worst** – The Domsday scenario involves multiple recurring outbreaks in the U.S. and the death toll topping 1 million. This could require a total quarantine of the entire nation, perhaps for months.

That would destroy economic growth and lead to a depression in which the stock market collapses, entire industries go bankrupt and joblessness easily tops the Great Depression high of 24.9 percent. This scenario could also entail mass public unrest that could require a military response. Not likely. Not impossible.

## **DRIVING THE DAY**

More of the same. All coronavirus, all the time. Consumer Confidence at 10:00 a.m. expected to drop from 130.7 to 110, a 40-month low.

## **CORONAVIRUS EFFECTS**

**SPEAKIG OF BAD SCENARIOS** — Morgan Stanley analysts now see “a 47% annualized decline in business investment in [the second quarter of 2020]. The monthly index in March moved down by 22.9 points, which represents a drop in magnitude of more than two standard deviations, to the lowest level since May 2009.”

**CONGRESS WANTS TO STAY AWAY; MAY NOT BE ABLE TO** — Our Burgess Everett, Heather Caygle, and John Bresnahan: “After passing the largest economic relief bill in history, Congress is now considering staying away from Washington for a month or more as the coronavirus makes even the routine act of legislating a dangerous risk for new transmissions.

**MM SIDEBAR** — If the coronavirus crisis gets worse and the economic data start to point to state budget collapses and massive increases in layoffs, this won’t be tenable.

**PELOSI WANTS QUICK PHASE 4** — Our Sarah Ferris, Andrew Desiderio, and Marianne LeVine: “House Democrats are moving rapidly on ambitious plans for a fourth coronavirus relief package, with Speaker Nancy Pelosi eager to put her imprint on legislation that she says could be ready for a vote in the coming weeks.



“Pelosi told reporters Monday that Democrats are in the early stages of drafting another major bill that will not only shore up health systems and protect frontline health care workers but could include substantial investments in infrastructure.”

**BIG RISE IN ANXIETY** — Via new data from Fluent, Inc., a performance marketing company: “For its first installment of Fluent Pulse, Fluent conducted a survey of over 1.85 million opted-in U.S. adults.

“As of March 30, the survey revealed a 70% spike in overall nervousness over the last 20 days among Americans ages 18+. Of those, 46% of U.S. consumers surveyed reported being somewhat nervous or very nervous about the COVID-19 pandemic, compared to only 27% of consumers reporting this same sentiment two weeks prior.”

**MORE HELP FOR GIG WORKERS** — Our Kellie Mejdrich: “A leading House Republican called on ... Trump's administration to ensure that gig workers are eligible for equity compensation as part of the \$2 trillion coronavirus response bill.”

**HOW MANY CAN WORK AT HOME?** — Univ. of Chicago white paper by Jonathan Dingel and Brent Neiman: “Our classification implies that 34 percent of U.S. jobs can plausibly be performed at home.

**BIG COMPANIES MAY NOT QUALIFY** — Our Victoria Guida and Theodor Meyer: “Macy’s and Gap Inc. are furloughing most of their workers as their sales collapse — but they might not qualify for the massive backstop for companies that Congress just passed because their finances are so bad that their debt is rated as junk.

“The two iconic retailers and other companies running out of cash can’t tap into the new loan program backed by the Federal Reserve because it’s only available to corporations whose debt is considered safe by credit rating firms. Retailers, casinos and other industries are now lobbying the Treasury Department and the Fed”

**BANKS PRESS ADMINISTRATION ON SMALL BUSINESS LOANS** — Our Zachary Warmbrodt: “Banks are pleading for clear guidelines from the Trump administration about how to begin offering \$350 billion in small business loans that Congress unlocked last week as part of the massive coronavirus economic rescue package.

“Private lenders will play a lead role in delivering the government-backed loans, which can be forgiven if businesses maintain their payroll. The scale of the effort is gigantic, amounting to 15 times what the Small Business Administration's flagship “7(a)” loan program gave out in fiscal 2019.”

**MORE ON THE DOOMSDAY SCENARIO** — St. Louis Fed economist Miguel Faria-e-Castro analysis resulted “in 47.05 million people being laid off during this period. Summing to the initial number of unemployed in February, this resulted in a total number of unemployed persons of 52.81 million. Given the assumption of a constant labor force, this resulted in an unemployment rate of 32.1%.”

**NEW TOOL TO TRACK CLAIMS** — Per release: “[T]he Tax Foundation released a new interactive tool that allows users to see claims amounts by state”

**USMCA DELAY?** — Our Sabrina Rodriguez: “The Trump administration is not on track for the new North American trade pact to fully go into effect as planned on June 1, making it likely that automakers will have extra time to prepare to comply with the deal's new rules, multiple people familiar with the talks told POLITICO.”

## MARKETS

**WALL STREET’S RALLY ROLLS ON** — AP’s Stan Choe and Alex Veiga: “U.S. stocks climbed Monday, led by big gains for health care companies announcing developments that could aid in the coronavirus outbreak. The rally tacked more gains onto a recent upswing for the market, which is coming off the best week for the S&P 500 in 11 years.”

**MNUCHIN: GREAT TIME FOR LONG-TERM INVESTORS TO PUT MONEY INTO U.S.** — Reuters’ Andrea Shalal and Doina Chiacu: “U.S. Treasury Secretary Steven Mnuchin said on Monday that the U.S. economy would have a ‘rough quarter’ due to the coronavirus, but the underlying fundamentals were sound and it was a great time for long-term investors to put money into the United States.”

## **FLY AROUND**

**GOLDMAN EXEC BANNED** — Our Kellie Mejdrich: “The SEC banned former Goldman Sachs executive Bryan Cohen from trading in stocks and from committing any potential violations of securities laws after he pleaded guilty to insider trading, the regulator announced today. The order — which was entered in court Wednesday — comes after federal officials took multiple legal actions against him.”

**FED DATA POINTS TO ECONOMIC PAIN, WORRISOME EBBS IN INFLATION** — WSJ’s Michael S. Derby: “The first wave of data capturing the front end of the new coronavirus crisis is dribbling in, and regional Federal Reserve Banks are tallying up the ugly picture. On Monday, the New York Fed launched a ‘Weekly Economic Index’ aimed at capturing where the economy is in near real time, and extrapolated historical levels based on past data.

“In its first outing, the index showed ‘developments in the past week saw the index fall to a level unseen since 2008,’ during the heat of the financial crisis. The report’s authors note that their index seeks to show what a given quarter’s activity would look like if it persisted for a year.”

**ICYMI: WALL STREET QUIETLY TELLS COMPANIES NOT TO DRAW THEIR LOANS** — Bloomberg’s Michelle F. Davis and Paula Seligson: “The biggest U.S. banks have been quietly discouraging some of America’s safest borrowers from tapping existing credit lines amid record corporate drawdowns on lending facilities, according to people familiar with the behind-the-scenes conversations.

“For Wall Street, it’s not an issue of liquidity so much as profitability. Investment-grade revolvers — especially those financed in the heyday of the bull market — are a low margin business, and some even lose money. The justification is that they help cement relationships with clients who will in turn stick with the lenders for more expensive capital-markets or advisory needs.”

**POWELL LEADS FED INTO UNCHARTED WATERS** — WSJ’s Nick Timiraos: “To meet the dislocation the coronavirus pandemic unleashed on the economy, Federal Reserve Chairman Jerome Powell has mobilized the central bank to move faster and farther than ever before. In the short weeks since financial markets seized up, Mr. Powell has placed the Fed on wartime footing. He took up the central bank’s playbook from the 2008 financial crisis and then some — cutting rates to near zero, purchasing huge quantities of government debt and, breaking a taboo, lending to American businesses.”

**AS CORONAVIRUS SPREADS, COMMUNITY BANKS WATCH FOR FALLOUT** — WSJ’s Orla McCaffrey: “The economic fallout of the novel coronavirus poses a new challenge for small banks across the country. Most of America’s banks are like Fisher National — woven into the local economy and a key source of credit for small businesses.”

**JPMORGAN LOOKS TO RAISE \$10B FOR ALTERNATIVE INVESTMENTS** — Reuters: “JPMorgan Chase & Co’s alternative investments unit is looking to raise up to \$10 billion to boost its spending power in the face of the coronavirus pandemic, a source familiar with the matter said on Monday. The bank plans to raise \$5 billion to \$10 billion in the next couple of months from clients including pension funds, sovereign-wealth funds, family offices and private banks, according to the source.”



**From:** (b)(6)  
**Sent:** Wed, 1 Apr 2020 08:26:31 -0400  
**To:** Undisclosed recipients:  
**Subject:** 04-01-2020 PA Senior Staff Notes  
**Attachments:** 04-01-2020 PA Senior Staff Notes.docx

April 1, 2020

**Public Affairs Notes:**

**This week:**

- **There are no public events to report for the remainder of the week. Updates will be provided as they become available.**

**SECRETARY MENTIONS**

**Trump Urges Congress To Approve \$2 Trillion In Infrastructure Spending. (WP, CNN, REU, POLITICO, BLOOM)**

The Washington Post (3/31, Stein) reports President Trump “said Tuesday that a \$2 trillion infrastructure package should be part of Congress’s next response to the coronavirus pandemic, reviving a 2016 campaign pledge to ramp up construction projects despite public health guidance that Americans should stay home and isolated to the greatest extent possible.” The Post says the President, “citing extraordinarily low interest rates that have reduced the cost of federal borrowing...said on Twitter that now ‘is the time’ to push forward with an infrastructure package.” According to the Post, “Numerous House Democrats have also discussed in recent weeks advancing infrastructure legislation.” The Post adds that Treasury Secretary Steven Mnuchin and House Ways and Means Chairman Richard E. Neal (D-MA) “stepped up talks on an infrastructure deal in February, but those negotiations were derailed by the widening impact of the coronavirus pandemic.”

CNN (3/31, Fox, Byrd) reports the President’s tweet “was welcome news for” Neal, “who has been waiting for months to craft such an effort.” Pelosi “told reporters Monday that she hopes to include more direct payments for individuals, money for state and local governments and infrastructure funding to address broadband and water systems in such a stimulus bill.” According to CNN, discussions “are taking place between Pelosi, top chairmen of key House committees and Treasury Secretary Steven Mnuchin while Congress is out for most of April, with Democratic leaders aiming to hold a vote in the House when members return.”

Reuters (3/31, Heavey, Cornwell) reports that House Democrats are “developing a ‘phase four’ measure including improvements in infrastructure, such as telecommunications, electricity and water systems.” However, according to Reuters, Congressional Republicans “say Congress should see how the just-enacted ‘phase three’ legislation works out before doing another bill.” Sen. Lindsey Graham is quoted as saying, “The unemployment part of phase three, I’m very worried about. ... I’m very concerned that it may take six to eight weeks to get an unemployment check.” Reuters reports that Senate Majority Leader Mitch McConnell “warned that the U.S. Treasury is ‘wrestling’ with tasks under phase three, including sending checks to individuals and providing loans to small businesses. He expressed skepticism about the House Democrats’ new effort, saying he worried they would try to include unrelated policy items.”

Politico (3/31, Everett) says McConnell is essentially “throwing cold water on Democrats’ hopes to address the crisis by boosting infrastructure spending and social programs. ‘I’m not going to allow this to be an opportunity for the Democrats to achieve unrelated policy items they wouldn’t otherwise be able to pass,’ McConnell said on Hugh Hewitt’s radio program on Tuesday morning.” According to Politico, McConnell “was noncommittal when asked by Hewitt about the prospects of another package” and “said that the Treasury Department needs to cut checks to Americans and that Congress needs to assess what the \$2 trillion just injected into the economy does for unemployed workers and small businesses.”

***Industry Groups Push Trump, Mnuchin For Additional COVID-19 Business Relief Fund.***

Bloomberg (3/31, Chiglinsky) reports the federal government “is being urged by more than 30 industry groups to establish a recovery fund for businesses hurt by the spread of the coronavirus, less than a week after the enactment of a \$2 trillion stimulus package.” According to Bloomberg, the groups sent a letter to President Donald Trump, Treasury Secretary Steven Mnuchin, and congressional leaders on Tuesday saying the fund would “be managed by a special administrator” and “would give relief to businesses to help them retain and rehire employees, maintain benefits, and keep up with expenses.” The fund “would augment the stimulus package, known as the CARES Act.” The groups didn’t specify a dollar figure for the new fund.

**Senate Dems Urge Mnuchin To Guarantee Appropriate Oversight Of \$500B COVID-19 Bailout Fund. (CNBC, WSJ, WP, HILL, REU)**

CNBC (3/31, Hirsch) reports several prominent Democratic Senators on Tuesday “called on Treasury Secretary Steven Mnuchin to ensure proper oversight of a \$500 billion fund aimed at helping companies hit by the coronavirus’ economic fallout.” During negotiations over the legislation, the fund “became a point of contention for Democrats who worried that earlier versions of the bill gave Mnuchin too much discretion over how the funds are dispersed. After tense negotiations, Republicans and Mnuchin agreed to add an inspector general to oversee that fund, as well as a congressional committee.” However, President Trump on Friday “questioned the authority of the inspector general,” declaring in a signing statement released alongside the bill “his belief that the inspector general needs his permission before letting Congress know whether Mnuchin or Treasury block efforts to glean information.” Senate Minority Leader Chuck Schumer and Sens. Sherrod Brown (D-OH) and Ron Wyden (D-OR) “called on Mnuchin to defend the terms of deal he helped negotiate.” The Wall Street Journal (3/31, Davidson), The Washington (DC) Post (3/31, Stein), and The Hill (3/31, Bolton) also report.

***Warren To Mnuchin, Powell: We’ll Be “Watching Your Actions Carefully” On Corporate Bailout.*** In an analysis, The Washington Post (3/31, Sargent) reports Sen. Elizabeth Warren (D-MA), in a “new letter to Treasury Secretary Steven Mnuchin...seeks to put Trump and Mnuchin on notice.” The Post says Warren’s letter, addressed to both Mnuchin and Fed Chair Jerome Powell, “seeks to fill a major hole in the rescue package. While the package does impose some conditions on businesses benefiting from its financial assistance – such as limits on stock buybacks – progressive economists have mostly panned them as insufficient.” Warren says in the letter, “I will be watching your actions carefully as you administer this \$500 billion bailout for corporate America.” The Post says “the very fact that the Treasury Secretary now has such discretion itself draws a circle around him as a focal point for public and lawmaker scrutiny.” Roosevelt Institute Director Mike Konczal is quoted: “You can imagine this process going responsibly or irresponsibly. This will be a choice that the Treasury Secretary makes.”

***Muzinich Under Consideration To Run Coronavirus Loan Program.*** Reuters (3/31, Lawder) cites “two sources familiar” with the Treasury Department’s plans who say Deputy Treasury Secretary Justin Muzinich, “an architect of the sweeping 2017 Republican tax cut, is under consideration to oversee a newly created \$500 billion coronavirus rescue loan program for large companies, cities and states.” The move would come as “part of a range of staffing shifts within the Treasury Department to implement an unprecedented \$2.2 trillion coronavirus rescue plan passed by Congress last week.” Muzinich “joined the



Treasury Department in 2017 as a senior adviser to Treasury Secretary Steven Mnuchin” and “played a key role in creating the Tax Cuts and Jobs Act that passed Congress and was signed by President Donald Trump later that year.”

**Treasury, SBA Provide Information On New Small-business Loan Program. (HILL, WP, REU, CBSNEWS, NSWK, BLOOM, CNBC, FOX, FT)**

The Hill (3/31, Jagoda) reports the Treasury Department and the SBA “said Tuesday that they have launched an effort to mobilize banks and other lenders to distribute small-business loans authorized by the coronavirus relief law President Trump signed last week.” The announcement came after Treasury Secretary Steven Mnuchin “said Monday that he hoped documents about the program would become available that day.” Mnuchin “reiterated on Tuesday that he expects businesses to be able to start to apply for and receive loans on Friday,” saying in a statement, “This legislation provides small business job retention loans to provide eight weeks of payroll and certain overhead to keep workers employed. Treasury and the Small Business Administration expect to have this program up and running by April 3rd so that businesses can go to a participating SBA 7(a) lender, bank, or credit union, apply for a loan, and be approved on the same day.”

The Washington Post (3/31, Newmyer), Reuters (3/31, Lawder), CBS News (3/31, Gibson), Newsweek (3/31, Rodriguez), and Bloomberg (3/31, Jacobs, Sasso, Cirilli) also report.

***Pelosi, Khanna Urge Mnuchin, Carranza To Include Start-Ups In Business Relief Efforts.*** CNBC (3/31, Feiner) reports, “House Speaker Nancy Pelosi and Rep. Ro Khanna, who represents a large part of Silicon Valley, are asking the Trump administration to protect start-ups as it carries out relief payments for small businesses under the CARES Act.” In a letter to Treasury Secretary Steven Mnuchin and SBA Administrator Jovita Carranza on Tuesday, Pelosi and Khanna “warn[ed] that a narrow interpretation of the relief recipients could hurt Silicon Valley companies. They wrote that ‘an overly strict application’ of an SBA rule could exclude many businesses from eligibility for the relief bill’s Paycheck Protection Program, which is meant to help cover costs for small businesses through the crisis.” They wrote: “Startups are the engine of America’s innovation economy and our districts in California’s Bay Area and Silicon Valley are home to thousands of these companies. Other high-tech hubs around the country with a strong startup ecosystem will also be in need of PPP financing to preserve jobs and survive.”

In their daily “The Technology 202” rundown, The Washington Post (3/31, Zakrzewski) reports, “Tech start-ups struggling during the coronavirus pandemic say there’s broad confusion over whether they qualify for the small business loans made available in the massive stimulus package.” Pelosi and Khanna’s letter to Mnuchin and Carranza called “on the Trump administration to quickly issue guidance to ensure start-ups can access this form of credit.” The letter said, “For these small businesses, as for many others across America, access to forgivable [Paycheck Protection Program] loans will be critical to preserving jobs during the coronavirus pandemic and to securing America’s leadership in science, technology and innovation.” Fox News (3/31, Rambaran) also reports.

***Private Equity Industry Fears Missing Out On COVID-19 Relief Funds.*** Bloomberg (3/31, Schmidt, Perlberg) reports, “Private equity firms are working the phones in Washington to fix what they consider a major flaw in the coronavirus rescue bill: they fear that companies they own are largely ineligible for the billions of dollars in small business loans the U.S. is doling out to save the economy. In a flurry of calls this week to congressional offices and the Small Business Administration, private equity firms said the \$2 trillion law seems to exclude most of their portfolio companies due to a technical definition of how a ‘small business’ is defined. They’ve asked the SBA, which is writing regulations for the lending program, to specify whether their holdings can participate.” Bloomberg says private equity trade group Institutional Limited Partners Association, in a letter to Treasury Secretary Steven Mnuchin and the SBA, “urged quick relief.” CNBC (3/31, Schwartz) and The Financial Times (3/31, Fontanella-Khan, Vandavelde, Indap, Politi) also report.



## **Congressional Democrats Push Fed To Take Over Rescue Of State, Local Debt Markets. (BLOOM, POLITICO)**

Bloomberg (3/31, Flatley, Torres, Albright) reports Congressional Democrats “are pushing to have the Federal Reserve take over the rescue of state and local debt markets – cutting the Treasury Department out of the decision-making.” The Fed “is expected to announce a new emergency facility to support municipal debt, part of the \$2 trillion stimulus approved last week. It had the backing of progressive Democrats and conservative Republicans alike, including Senators Elizabeth Warren and Mike Crapo. They’re urging the Fed and Treasury to move quickly.”

Politico (3/31, Mejdrich) reports House Speaker Nancy Pelosi and Sen. Elizabeth Warren (D-MA) “are among top Democrats pressing the Federal government to do more to help salvage municipal finances as the coronavirus wallops state and local budgets.” Pelosi said Tuesday on MSNBC, “We need to do more by way of our appropriations, by way of our tax code, and by way of policy. And also by way of the Fed doing more to help the state and local governments with the challenges that they face, which are massive.” Politico says Congress “has given the Federal Reserve a \$454 billion pot of money and broad authority to back up the municipal bond market with direct purchases. But the fund is also available to corporations and will be administered at the discretion of Treasury Secretary Steven Mnuchin and Fed officials, and the rescue package does not specify how much help local government-backed debt will get.” The Fed “is aware of the problem, moving earlier this month to free up pressure in the short-term municipal bond market by expanding one of its emergency lending facilities to cover highly rated local government debt.”

## **Airlines Would Be Required To Maintain Minimum Flight Levels When Receiving Aid. (BLOOM, REU, WSJ, CNBC, BIZINDER)**

Bloomberg (3/31, Beene, Levin) reports a plan proposed by the US Department of Transportation would allow airlines to “dramatically cut their flights” but they would still be required to “maintain minimum service levels to American cities in exchange” for accepting financial assistance from the Treasury Department. Bloomberg says that under the plan, US airlines would be allowed to consolidate flights to and from multiple airports in a city to a single airport, as well as consolidating flights from multiple hubs to a city to a single hub. Bloomberg says the plan “stems from a provision in the \$2 trillion stimulus plan signed by President Donald Trump on Friday that gave Transportation Secretary Elaine Chao the authority to force airlines accepting aid to continue flying to destinations they served as of March 1.”

Reuters (3/31, Shepardson) reports DOT will require airlines that flew between two cities at least five times per week to continue to operate “at least one flight per day five times a week between the points.” Routes with fewer than five flights per week would need to be operated at least once per week. DOT said airlines will be able to seek waiver for certain routes, saying, “even with these reduced service levels, it may not be practicable for covered carriers to serve all points previously served.” Reuters says the Treasury Department “has urged airlines seeking funding from the \$25 billion cash grant program to apply by Friday. Airlines must propose financial instruments as compensation in their applications for the funds aimed at helping with payroll costs.” Treasury Secretary Steven Mnuchin “has said taxpayers will be compensated for the grants.”

The Wall Street Journal (3/31, Cameron, Sider), CNBC (3/31, Josephs), and Business Insider (3/31, Slotnick) also report.

***Airlines Applying For Coronavirus Relief Instructed To Disclose Debt And Propose Mechanism For Taxpayers To Take Equity Stake.*** Bloomberg (3/31, Mohsin) report airlines receiving some of the \$61 billion in direct aid and loans being provided to passenger and cargo airlines under the CARES Act coronavirus relief package “will be required to propose up-front how the federal government could retain financial stakes in their companies in exchange for a share” of the relief money. Instructions from the Treasury Department on how to receive funds set aside for the industry “say applicants should submit



details of existing debt and credit lines with outstanding balances, scheduled debt service for three years, and employment levels.” At a time when the airlines are dealing “with a near 90% drop in passenger traffic because of the widening pandemic,” recipients of government aid “must refrain from making any furloughs or layoffs before Sept. 30 of this year.” Additionally, “carriers must maintain service on any routes that the U.S. Transportation Department deems necessary.”

***Regional Airlines Request Priority Assistance From Mnuchin, Chao In Awarding Coronavirus Relief Grants.*** Reuters (3/31, Shepardson, Rucinski) reports the Regional Airline Association requested priority assistance from the Department of Transportation in a letter sent to Treasury Secretary Steven Mnuchin and Transportation Secretary Elaine Chao on Monday regarding the “\$25 billion in cash grants to help the struggling industry stay afloat” contained in the CARES Act relief package. According to the story, regional airlines’ “business has tumbled in line with sharp flight reductions by the large carriers as the coronavirus decimates travel demand.” One suggestion from the Association was for the government to award every air carrier a grant of \$250 million or more and then use whatever funds are remaining to help out rural areas. As the letter said, “This ensures the smallest carriers, with the most vulnerable employees and which serve the most isolated communities, receive adequate assistance.” Reuters adds that “under the law approved last week, Chao must determine what reasonable air services carriers receiving grants or loans should be required to maintain.”

**Neal “Strongly” Urges Mnuchin, Saul To Enable Seniors To Receive Relief Checks Automatically. (HILL)**

The Hill (3/31, Jagoda) reports House Ways and Means Chairman Richard Neal (D-MA) on Tuesday “called on the Trump administration to come up with a way for seniors and other vulnerable groups to get their coronavirus relief checks without having to file a tax return.” Neal “said in a statement that he and fellow Democrats on the committee ‘strongly urge’ Treasury Secretary Steven Mnuchin and Social Security Commissioner Andrew Saul ‘to find a solution that will allow vulnerable groups to receive these funds automatically.’” Neal also “said that he and his colleagues have been flooded with calls from senior citizens who are concerned about whether they will be able to receive their checks. He also noted that centers providing free tax-filing assistance to vulnerable communities are temporarily closed because of the coronavirus pandemic.”

**Pompeo: US Might Rethink Iran Sanctions In Light Of Coronavirus Outbreak. (REU, NTLRVW, WASHEX, HILL)**

Reuters (3/31, Mohammed, Pamuk) reports Secretary of State Pompeo “held out the possibility on Tuesday that the United States may consider easing sanctions on Iran and other nations to help fight the coronavirus epidemic but gave no concrete sign it plans to do so.” To Reuters, Pompeo’s comments “reflected a shift in tone by the US State Department, which has come under withering criticism for its hard line toward sanctions relief.”

In an analysis, National Review (3/31, Tobin) says Treasury Secretary Steven Mnuchin’s “recent besting of Mike Pompeo on whether to waive sanctions on Iran’s nuclear program raises questions about the Trump administration’s resolve vis-à-vis Iran.” Despite Pompeo’s “strenuous objections,” the State Department “announced that it will renew the waivers,” a decision that “was a clear victory for Treasury Secretary Steve Mnuchin and a setback for Pompeo, who has been outspoken in his view that that the administration should maintain the pressure on Iran despite sympathy for the country generated by its being hit hard by the coronavirus.” With “Mnuchin’s view on sanctions apparently winning the day, it’s clear that he has President Donald Trump’s ear on the issue.”

***Some Democrats Urge US To Suspend Sanctions.*** The Washington Examiner (3/31, Halaschak) reports Sen. Bernie Sanders (I-VT) joined Reps. Alexandria Ocasio-Cortez (D-NY), Ilhan Omar (D-MN), “and other Democratic lawmakers in a letter urging the United States to ease sanctions on Iran because of the coronavirus pandemic.” The letter, sent to Pompeo and Secretary Mnuchin on Tuesday, said, “By



targeting an entire economy that supports more than 80 million people, US sanctions make it harder for ordinary Iranians to obtain basic necessities like food and hygienic supplies.”

**Commentary: Sanctions Relief Not Required To Help Iran’s Coronavirus Response.** In an op-ed for The Hill (3/31), Washington Institute fellows Katherine Bauer and Dana Stroul write that, “In the case of Iran and its struggle to contain the virus and treat the sick, however, sanctions relief is not a cure-all. Moreover, systematic corruption of Iran’s leaders and the weak capacity of its government mean it is doubtful that lifting sanctions would translate into the robust response the Iranian people need and deserve.” Bauer and Stroul argue “there are actions that the United States could take – short of lifting sanctions – to aid the humanitarian response in Iran. Without fundamentally altering the sanctions infrastructure, the administration could provide greater clarity on allowable humanitarian trade and authorizations for nongovernmental organizations (NGOs) to expand their work in Iran.”

**Media Analyses: Mnuchin, Powell Charged With Managing Coronavirus’ Impact On Economy. (NYT, WSJ, HILL)**

In an analysis, The New York Times (3/31, Rappeport, Smialek) calls the coronavirus “the most significant economic threat since at least 2008” and says it has thrust Treasury Secretary Steven Mnuchin and Fed Chairman Jerome Powell “into key roles in determining whether the United States economy suffers a short, manageable slowdown or enters a deep and painful recession.” Mnuchin and Powell’s efforts “are critical not only to workers and businesses but also to Mr. Trump, who has staked much of his reputation on a climbing stock market and robust economy, both of which are now threatened” as he faces reelection.

Similarly, The Wall Street Journal (3/31, Davidson, Davis) reports Mnuchin has become an indispensable actor in Washington’s effort to manage the COVID-19 crisis and save the US economy from sinking further toward depression.

In a profile on Rep. Mark Meadows’ (R-NC) transition to White House chief of staff, The Hill (3/31, Beavers) says Meadows “got to know Treasury Secretary Steven Mnuchin from their work on postal reform, according to one former administration official who worked closely with Mnuchin.” The Hill says Mnuchin “is one of the few remaining original Cabinet members under Trump, and one who is playing a key role advising Trump on the economic impact of the coronavirus,” having “helped lead negotiations with Congress on legislative packages to address the coronavirus pandemic, including the \$2 trillion emergency relief passage approved by both chambers and signed by Trump last week.”

**MAJOR DEPARTMENT MENTIONS**

**Treasury Gives Businesses 90 More Days To Make Excise Tax Payments. (REU)**

Reuters (3/31, Lawder) reports the Treasury Department said it is giving businesses 90 more days to make excise tax payments on tobacco and other products that would be due between March 1 and July 1. The Treasury will waive penalties and interest accordingly.

**Trump Set To Delay Certain Tariff Payments By Three Months (BLOOM)**

Citing “people familiar with the matter,” Bloomberg (3/31, Leonard) reports that President Trump has “approved a proposal pushed for by some businesses to delay payment of certain tariffs by three months.” According to one of the people, the announcement of the decision will be in the form of an executive order that “could come as soon as this week.” The order, which “would give the Treasury Department the authority to direct Customs and Border Protection to delay collecting tariffs on those imports for 90 days,” would not “apply to tariffs Trump imposed as a result of an enforcement action, such as on Chinese goods or steel and aluminum from around the world.”

**POLITICO MORNING MONEY**



**Wall Street gets (mostly) grim** — Stocks finished their worst quarter since 2008 on Tuesday and big bank analysts are increasing their assessments of the coronavirus impact. Goldman Sachs now sees a decline of 9 percent of GDP in the first quarter and 34 percent in the second quarter with unemployment hitting nearly 15 percent.

But Goldman also sees a strong bounce back to 19 percent growth in the third quarter and an overall GDP decline of 6.2 percent on an annual-average basis for 2020.

**Morgan Stanley, meanwhile, estimates jobless claims** on Thursday, rising from 3.28M to 4.45M for the week ending March 28. “Our projection is based on a state-by-state deep dive on underlying trends seen in the last report, paired with an assessment of the time line of closures in individual regions.”

**But does anyone really know anything?** — Economists aren’t epidemiologists. And even epidemiologists don’t really know when the U.S. will bend the corona curve and start to get the economy back rolling again.

**MM spoke with Jan Hatzius**, chief economist at Goldman Sachs, about his calls and the difficulty of doing his job during this age of corona.

**Why such a strong Q3 snap back?:** “Partly because we probably have a bigger drop in Q2 than most ... 34 percent is probably the biggest or one of the biggest [forecasts]. A lot of people have less of a decline.

“When the virus news improves and maybe we can start to go back to work, there are a number of scenarios that could allow some re-engagement, some things are going to come back pretty quickly.

“We are all going to get a haircut. Local types of economic activity, restaurants, those things come back relatively quickly when the news improves. Other big ticket things will take longer.”

**Doesn’t this depend on the rescue package working very well?** — “I do think the rescue package is pretty well targeted and pretty large. ... Subsidies for keeping employees on the books is the right idea ... Some of this comes too late because we’ve already seen a lot of layoffs. The key question in the data are jobless claims and we are way at the top of the list expecting 5.25 million.”

**Does anyone actually know anything?** — “It’s very hard to know especially given we are not experts in medical issues or epidemiology. We try to learn about a lot of these things. And I’ve learned a lot about it in the last couple of months. That still doesn’t mean we are any kind of experts.

“A lot of what we do is study the curve to try and get some sense. And you can learn from what China did and what happened in Korea and what’s happening in Italy now, including some encouraging signs. But really modeling these things, that’s not something we really do. ... I don’t feel like I have a very good handle on it ... But empirically looking at what numbers tells us from other countries, we are probably on more solid ground in that respect.”

**QUOTE OF THE DAY** — President Donald Trump at his daily presser: “We are going to go through a very tough two weeks ... This is going to be a painful, very, very painful two weeks.” Very different tone than “We’ll be open by Easter!” He does seem to have been swayed by the medical experts, which is good.

## **Coronavirus effects**

**THE BLEAK LANDSCAPE AHEAD** — Our Caitlin Oprysko: “Medical experts from the White House coronavirus task force ... delivered a sober, data-driven presentation that characterized a six-figure death toll from the coronavirus pandemic as the low-end ‘goal’ of the Trump administration’s mitigation efforts. ... One chart, labeled ‘Goals of Community Mitigation,’ placed one of the best-case projections around 100,000 to 240,000 deaths.”

**STIMULUS AHEAD?** — Via Trump tweet: “With interest rates for the United States being at ZERO, this is the time to do our decades long awaited Infrastructure Bill. It should be VERY BIG & BOLD, Two

Trillion Dollars, and be focused solely on jobs and rebuilding the once great infrastructure of our Country! Phase 4”

**MM SIDEBAR** — Phase 4 is gonna be a tough one, especially as Democrats are raising things like a retroactive lifting of the SALT deduction cap, which is a non-starter with the GOP. Republicans and Democrats are also far apart on how you actually do a big infrastructure plan. Could they find common ground? Sure. But it’s a real reach.

And just adding another \$2 trillion in debt is not going to sit well with some Republicans, even in the deficits don’t matter era. And as my Playbook colleagues noted on Tuesday afternoon, the parties are sharply split on bumping up the gas tax to help pay for infrastructure.

**ECONOMISTS PAN SALT PLAN** — Our Bernie Becker: “Economists and tax experts from across the political spectrum are panning House Speaker Nancy Pelosi’s idea to stimulate the economy in the next bailout bill by raising the federal cap on tax deductions for state and local taxes. The move wouldn’t give the economy much of a boost, they say.”

**CONFIDENCE SLIPS** — Our Victoria Guida: “The coronavirus pandemic is finally starting to take a toll on one of the economy’s most important strengths under ... Trump: consumer confidence.”

**QUESTIONING THE SNAP BACK** — Via S&P: “Though our base case sees GDP growth rebounding in the second half as consumer demand revives and firms rush to fill back orders and restock inventories, much economic activity that depended on household discretionary spending will be lost permanently, with risks to the downside increasing in conjunction with escalating unemployment.”

**RECESSION WITHOUT A PURPOSE** — Jim Paulsen, Chief Investment Strategist at The Leuthold Group: “Essentially, the contemporary contraction is a ‘Recession Without a Purpose!’ It was not needed to restore a solid foundation for another economic expansion.

“Rather, this recession (and probably a very deep one at that!) is simply the inadvertent casualty of a war on a nasty health bug. To be sure, it will create considerable hardship, and if it lasts long enough, may produce significant and difficult to reverse economic damage.”

**ENOUGH OVERSIGHT?** — Columbia Business School Professor Shivaram Rajgopal in FORBES: “Of the \$2 trillion rescue package passed by Congress .. \$500 billion is dedicated to loans to companies, industries, cities and towns, made vulnerable by the pandemic. ... [T]hese restrictions can be waived at the Treasury Secretary’s discretion leaving many, myself include to ask; are these conditions enough and effective? I have my doubts”

**WHO WILL NEED CHECKS?** — Via Brookings’ Aaron Klein: “I am out with a new piece with an estimate of how many people may require paper checks under the CARES stimulus payment: 70 million. That’s over 8 times the size of the unbanked population.”

**BANKS STEP UP** — Via BPI: “BPI research shows that its member banks have made about \$400 billion in commercial loans to America’s small and large businesses in the first quarter of 2020 alone, increasing their lending by 12.7% during that period, or almost 51% on an annualized basis.”

## Markets

**STOCKS CLOSE OUT WORST QUARTER SINCE 2008** — AP’s Stan Choe, Damian Troise and Alex Veiga: “Stocks ... [wrapped] up its worst quarter of performance since the 2008 financial crisis ... pushing its loss for the first three months of the year to 20.2%.

“Trading was similarly shaky elsewhere earlier in the day: Global markets initially rose following a stronger-than-expected report on China’s economy, but momentum briefly stalled after the number of deaths caused by the coronavirus outbreak jumped in Spain. Major European indexes shook off the early slide and were headed higher.”



**FED TO LAUNCH NEW LENDING FACILITY FOR FOREIGN CENTRAL BANKS** — WSJ's Nick Timiraos: "The Federal Reserve said ... it would launch a temporary lending facility that will allow foreign central banks with accounts at the Fed to convert their holdings of Treasuries into dollars, its latest bid to alleviate strains in global markets."

#### **Fly Around**

**CRYPTO GETS A PAC** — Protocol's Emma Johanningsmeier: "Cryptocurrency advocates have long complained that U.S. regulations governing their industry are either unclear, illogical or nonexistent. By launching a political action committee — formed in January but just unveiled publicly — they seek to change that."

"'HODLpac is a new tool in the crypto policymaking toolbox,' Kristin Smith, one of the PAC's board members, told Protocol. 'We have the Blockchain Association, standards groups and the Crypto Rating Council, but there hasn't really been an organized grassroots and political giving organization.'"

**WELLS FARGO: DEBT TO SURGE BY \$1.4T NEXT QUARTER** — Reuters: "The U.S. government is likely to increase its debt by \$1.4 trillion in the second quarter, as it raises cash to finance stimulus that is meant to blunt the economic impact of the coronavirus pandemic, analysts at Wells Fargo said on Tuesday."

"Trump on Friday signed into law a \$2.2 trillion aid package, the largest ever, to help offset the downturn caused by sweeping shutdowns aimed at containing the outbreak. This includes sending checks to Americans and rushing billions of dollars to medical providers on the front lines of the pandemic."

**HOW MNUCHIN BECAME WASHINGTON'S CRISIS MANAGER** — WSJ's Kate Davidson and Bob Davis: "At a World Economic Forum dinner in Davos, Switzerland, Treasury Secretary Steven Mnuchin spoke up. It was 45 minutes into a conversation about climate change and trade, and no one had mentioned the most important issue facing the world, he said: The deadly new coronavirus spreading across China."

"Mr. Mnuchin told dinner guests he worried the health crisis could undermine global growth. Earlier that day, Jan. 23, Chinese officials said they were cutting transport in and out of Wuhan, the epicenter of the public health crisis. Today, the U.S. is a pandemic hot zone, and Mr. Mnuchin has become Washington's indispensable deal-maker in trying to keep the crisis from throwing the world's largest economy into the deepest downturn since the Great Depression."

**JPMORGAN ANNOUNCES NEW DIVERSITY PUSH** — NYT's Emily Flitter: "JPMorgan Chase is increasing its efforts to diversify its work force and customer base after a Dec. 11 New York Times report showed a black customer and a black employee each struggling to gain access to the same opportunities as their white peers at the country's largest bank."

"In a memo to employees on Tuesday, Gordon Smith and Daniel Pinto, JPMorgan's acting co-chief executive officers, said the bank was making diversity training mandatory for all employees and would pay more attention to employee complaints."

April 1, 2020

**Public Affairs Notes:**

**This week:**

- **There are no public events to report for the remainder of the week. Updates will be provided as they become available.**

**SECRETARY MENTIONS**

**Trump Urges Congress To Approve \$2 Trillion In Infrastructure Spending. (WP, CNN, REU, POLITICO, BLOOM)**

The Washington Post (3/31, Stein) reports President Trump “said Tuesday that a \$2 trillion infrastructure package should be part of Congress’s next response to the coronavirus pandemic, reviving a 2016 campaign pledge to ramp up construction projects despite public health guidance that Americans should stay home and isolated to the greatest extent possible.” The Post says the President, “citing extraordinarily low interest rates that have reduced the cost of federal borrowing...said on Twitter that now ‘is the time’ to push forward with an infrastructure package.” According to the Post, “Numerous House Democrats have also discussed in recent weeks advancing infrastructure legislation.” The Post adds that Treasury Secretary Steven Mnuchin and House Ways and Means Chairman Richard E. Neal (D-MA) “stepped up talks on an infrastructure deal in February, but those negotiations were derailed by the widening impact of the coronavirus pandemic.”

CNN (3/31, Fox, Byrd) reports the President’s tweet “was welcome news for” Neal, “who has been waiting for months to craft such an effort.” Pelosi “told reporters Monday that she hopes to include more direct payments for individuals, money for state and local governments and infrastructure funding to address broadband and water systems in such a stimulus bill.” According to CNN, discussions “are taking place between Pelosi, top chairmen of key House committees and Treasury Secretary Steven Mnuchin while Congress is out for most of April, with Democratic leaders aiming to hold a vote in the House when members return.”

Reuters (3/31, Heavey, Cornwell) reports that House Democrats are “developing a ‘phase four’ measure including improvements in infrastructure, such as telecommunications, electricity and water systems.” However, according to Reuters, Congressional Republicans “say Congress should see how the just-enacted ‘phase three’ legislation works out before doing another bill.” Sen. Lindsey Graham is quoted as saying, “The unemployment part of phase three, I’m very worried about. ... I’m very concerned that it may take six to eight weeks to get an unemployment check.” Reuters reports that Senate Majority Leader Mitch McConnell “warned that the U.S. Treasury is ‘wrestling’ with tasks under phase three, including sending checks to individuals and providing loans to small businesses. He expressed skepticism about the House Democrats’ new effort, saying he worried they would try to include unrelated policy items.”

Politico (3/31, Everett) says McConnell is essentially “throwing cold water on Democrats’ hopes to address the crisis by boosting infrastructure spending and social programs. ‘I’m not going to allow this to be an opportunity for the Democrats to achieve unrelated policy items they wouldn’t otherwise be able to pass,’ McConnell said on Hugh Hewitt’s radio program on Tuesday morning.” According to Politico, McConnell “was noncommittal when asked by Hewitt about the prospects of another package” and “said that the Treasury Department needs to cut checks to Americans and that Congress needs to assess what the \$2 trillion just injected into the economy does for unemployed workers and small businesses.”



***Industry Groups Push Trump, Mnuchin For Additional COVID-19 Business Relief Fund.***

Bloomberg (3/31, Chiglinsky) reports the federal government “is being urged by more than 30 industry groups to establish a recovery fund for businesses hurt by the spread of the coronavirus, less than a week after the enactment of a \$2 trillion stimulus package.” According to Bloomberg, the groups sent a letter to President Donald Trump, Treasury Secretary Steven Mnuchin, and congressional leaders on Tuesday saying the fund would “be managed by a special administrator” and “would give relief to businesses to help them retain and rehire employees, maintain benefits, and keep up with expenses.” The fund “would augment the stimulus package, known as the CARES Act.” The groups didn’t specify a dollar figure for the new fund.

**Senate Dems Urge Mnuchin To Guarantee Appropriate Oversight Of \$500B COVID-19 Bailout Fund. (CNBC, WSJ, WP, HILL, REU)**

CNBC (3/31, Hirsch) reports several prominent Democratic Senators on Tuesday “called on Treasury Secretary Steven Mnuchin to ensure proper oversight of a \$500 billion fund aimed at helping companies hit by the coronavirus’ economic fallout.” During negotiations over the legislation, the fund “became a point of contention for Democrats who worried that earlier versions of the bill gave Mnuchin too much discretion over how the funds are dispersed. After tense negotiations, Republicans and Mnuchin agreed to add an inspector general to oversee that fund, as well as a congressional committee.” However, President Trump on Friday “questioned the authority of the inspector general,” declaring in a signing statement released alongside the bill “his belief that the inspector general needs his permission before letting Congress know whether Mnuchin or Treasury block efforts to glean information.” Senate Minority Leader Chuck Schumer and Sens. Sherrod Brown (D-OH) and Ron Wyden (D-OR) “called on Mnuchin to defend the terms of deal he helped negotiate.” The Wall Street Journal (3/31, Davidson), The Washington (DC) Post (3/31, Stein), and The Hill (3/31, Bolton) also report.

***Warren To Mnuchin, Powell: We’ll Be “Watching Your Actions Carefully” On Corporate Bailout.*** In an analysis, The Washington Post (3/31, Sargent) reports Sen. Elizabeth Warren (D-MA), in a “new letter to Treasury Secretary Steven Mnuchin...seeks to put Trump and Mnuchin on notice.” The Post says Warren’s letter, addressed to both Mnuchin and Fed Chair Jerome Powell, “seeks to fill a major hole in the rescue package. While the package does impose some conditions on businesses benefiting from its financial assistance – such as limits on stock buybacks – progressive economists have mostly panned them as insufficient.” Warren says in the letter, “I will be watching your actions carefully as you administer this \$500 billion bailout for corporate America.” The Post says “the very fact that the Treasury Secretary now has such discretion itself draws a circle around him as a focal point for public and lawmaker scrutiny.” Roosevelt Institute Director Mike Konczal is quoted: “You can imagine this process going responsibly or irresponsibly. This will be a choice that the Treasury Secretary makes.”

***Muzinich Under Consideration To Run Coronavirus Loan Program.*** Reuters (3/31, Lawder) cites “two sources familiar” with the Treasury Department’s plans who say Deputy Treasury Secretary Justin Muzinich, “an architect of the sweeping 2017 Republican tax cut, is under consideration to oversee a newly created \$500 billion coronavirus rescue loan program for large companies, cities and states.” The move would come as “part of a range of staffing shifts within the Treasury Department to implement an unprecedented \$2.2 trillion coronavirus rescue plan passed by Congress last week.” Muzinich “joined the Treasury Department in 2017 as a senior adviser to Treasury Secretary Steven Mnuchin” and “played a key role in creating the Tax Cuts and Jobs Act that passed Congress and was signed by President Donald Trump later that year.”

**Treasury, SBA Provide Information On New Small-business Loan Program. (HILL, WP, REU, CBSNEWS, NSWK, BLOOM, CNBC, FOX, FT)**



The Hill (3/31, Jagoda) reports the Treasury Department and the SBA “said Tuesday that they have launched an effort to mobilize banks and other lenders to distribute small-business loans authorized by the coronavirus relief law President Trump signed last week.” The announcement came after Treasury Secretary Steven Mnuchin “said Monday that he hoped documents about the program would become available that day.” Mnuchin “reiterated on Tuesday that he expects businesses to be able to start to apply for and receive loans on Friday,” saying in a statement, “This legislation provides small business job retention loans to provide eight weeks of payroll and certain overhead to keep workers employed. Treasury and the Small Business Administration expect to have this program up and running by April 3rd so that businesses can go to a participating SBA 7(a) lender, bank, or credit union, apply for a loan, and be approved on the same day.”

The Washington Post (3/31, Newmyer), Reuters (3/31, Lawder), CBS News (3/31, Gibson), Newsweek (3/31, Rodriguez), and Bloomberg (3/31, Jacobs, Sasso, Cirilli) also report.

***Pelosi, Khanna Urge Mnuchin, Carranza To Include Start-Ups In Business Relief Efforts.*** CNBC (3/31, Feiner) reports, “House Speaker Nancy Pelosi and Rep. Ro Khanna, who represents a large part of Silicon Valley, are asking the Trump administration to protect start-ups as it carries out relief payments for small businesses under the CARES Act.” In a letter to Treasury Secretary Steven Mnuchin and SBA Administrator Jovita Carranza on Tuesday, Pelosi and Khanna “warn[ed] that a narrow interpretation of the relief recipients could hurt Silicon Valley companies. They wrote that ‘an overly strict application’ of an SBA rule could exclude many businesses from eligibility for the relief bill’s Paycheck Protection Program, which is meant to help cover costs for small businesses through the crisis.” They wrote: “Startups are the engine of America’s innovation economy and our districts in California’s Bay Area and Silicon Valley are home to thousands of these companies. Other high-tech hubs around the country with a strong startup ecosystem will also be in need of PPP financing to preserve jobs and survive.”

In their daily “The Technology 202” rundown, The Washington Post (3/31, Zakrzewski) reports, “Tech start-ups struggling during the coronavirus pandemic say there’s broad confusion over whether they qualify for the small business loans made available in the massive stimulus package.” Pelosi and Khanna’s letter to Mnuchin and Carranza called “on the Trump administration to quickly issue guidance to ensure start-ups can access this form of credit.” The letter said, “For these small businesses, as for many others across America, access to forgivable [Paycheck Protection Program] loans will be critical to preserving jobs during the coronavirus pandemic and to securing America’s leadership in science, technology and innovation.” Fox News (3/31, Rambaran) also reports.

***Private Equity Industry Fears Missing Out On COVID-19 Relief Funds.*** Bloomberg (3/31, Schmidt, Perlberg) reports, “Private equity firms are working the phones in Washington to fix what they consider a major flaw in the coronavirus rescue bill: they fear that companies they own are largely ineligible for the billions of dollars in small business loans the U.S. is doling out to save the economy. In a flurry of calls this week to congressional offices and the Small Business Administration, private equity firms said the \$2 trillion law seems to exclude most of their portfolio companies due to a technical definition of how a ‘small business’ is defined. They’ve asked the SBA, which is writing regulations for the lending program, to specify whether their holdings can participate.” Bloomberg says private equity trade group Institutional Limited Partners Association, in a letter to Treasury Secretary Steven Mnuchin and the SBA, “urged quick relief.” CNBC (3/31, Schwartz) and The Financial Times (3/31, Fontanella-Khan, Vandeveld, Indap, Politi) also report.

### **Congressional Democrats Push Fed To Take Over Rescue Of State, Local Debt Markets. (BLOOM, POLITICO)**

Bloomberg (3/31, Flatley, Torres, Albright) reports Congressional Democrats “are pushing to have the Federal Reserve take over the rescue of state and local debt markets – cutting the Treasury Department



out of the decision-making.” The Fed “is expected to announce a new emergency facility to support municipal debt, part of the \$2 trillion stimulus approved last week. It had the backing of progressive Democrats and conservative Republicans alike, including Senators Elizabeth Warren and Mike Crapo. They’re urging the Fed and Treasury to move quickly.”

Politico (3/31, Mejdrich) reports House Speaker Nancy Pelosi and Sen. Elizabeth Warren (D-MA) “are among top Democrats pressing the Federal government to do more to help salvage municipal finances as the coronavirus wallows state and local budgets.” Pelosi said Tuesday on MSNBC, “We need to do more by way of our appropriations, by way of our tax code, and by way of policy. And also by way of the Fed doing more to help the state and local governments with the challenges that they face, which are massive.” Politico says Congress “has given the Federal Reserve a \$454 billion pot of money and broad authority to back up the municipal bond market with direct purchases. But the fund is also available to corporations and will be administered at the discretion of Treasury Secretary Steven Mnuchin and Fed officials, and the rescue package does not specify how much help local government-backed debt will get.” The Fed “is aware of the problem, moving earlier this month to free up pressure in the short-term municipal bond market by expanding one of its emergency lending facilities to cover highly rated local government debt.”

### **Airlines Would Be Required To Maintain Minimum Flight Levels When Receiving Aid. (BLOOM, REU, WSJ, CNBC, BIZINDER)**

Bloomberg (3/31, Beene, Levin) reports a plan proposed by the US Department of Transportation would allow airlines to “dramatically cut their flights” but they would still be required to “maintain minimum service levels to American cities in exchange” for accepting financial assistance from the Treasury Department. Bloomberg says that under the plan, US airlines would be allowed to consolidate flights to and from multiple airports in a city to a single airport, as well as consolidating flights from multiple hubs to a city to a single hub. Bloomberg says the plan “stems from a provision in the \$2 trillion stimulus plan signed by President Donald Trump on Friday that gave Transportation Secretary Elaine Chao the authority to force airlines accepting aid to continue flying to destinations they served as of March 1.”

Reuters (3/31, Shepardson) reports DOT will require airlines that flew between two cities at least five times per week to continue to operate “at least one flight per day five times a week between the points.” Routes with fewer than five flights per week would need to be operated at least once per week. DOT said airlines will be able to seek waiver for certain routes, saying, “even with these reduced service levels, it may not be practicable for covered carriers to serve all points previously served.” Reuters says the Treasury Department “has urged airlines seeking funding from the \$25 billion cash grant program to apply by Friday. Airlines must propose financial instruments as compensation in their applications for the funds aimed at helping with payroll costs.” Treasury Secretary Steven Mnuchin “has said taxpayers will be compensated for the grants.”

The Wall Street Journal (3/31, Cameron, Sider), CNBC (3/31, Josephs), and Business Insider (3/31, Slotnick) also report.

***Airlines Applying For Coronavirus Relief Instructed To Disclose Debt And Propose Mechanism For Taxpayers To Take Equity Stake.*** Bloomberg (3/31, Mohsin) report airlines receiving some of the \$61 billion in direct aid and loans being provided to passenger and cargo airlines under the CARES Act coronavirus relief package “will be required to propose up-front how the federal government could retain financial stakes in their companies in exchange for a share” of the relief money. Instructions from the Treasury Department on how to receive funds set aside for the industry “say applicants should submit details of existing debt and credit lines with outstanding balances, scheduled debt service for three years, and employment levels.” At a time when the airlines are dealing “with a near 90% drop in passenger traffic because of the widening pandemic,” recipients of government aid “must refrain from making any



furloughs or layoffs before Sept. 30 of this year.” Additionally, “carriers must maintain service on any routes that the U.S. Transportation Department deems necessary.”

***Regional Airlines Request Priority Assistance From Mnuchin, Chao In Awarding Coronavirus Relief Grants.*** Reuters (3/31, Shepardson, Rucinski) reports the Regional Airline Association requested priority assistance from the Department of Transportation in a letter sent to Treasury Secretary Steven Mnuchin and Transportation Secretary Elaine Chao on Monday regarding the “\$25 billion in cash grants to help the struggling industry stay afloat” contained in the CARES Act relief package. According to the story, regional airlines’ “business has tumbled in line with sharp flight reductions by the large carriers as the coronavirus decimates travel demand.” One suggestion from the Association was for the government to award every air carrier a grant of \$250 million or more and then use whatever funds are remaining to help out rural areas. As the letter said, “This ensures the smallest carriers, with the most vulnerable employees and which serve the most isolated communities, receive adequate assistance.” Reuters adds that “under the law approved last week, Chao must determine what reasonable air services carriers receiving grants or loans should be required to maintain.”

**Neal “Strongly” Urges Mnuchin, Saul To Enable Seniors To Receive Relief Checks Automatically. (HILL)**

The Hill (3/31, Jagoda) reports House Ways and Means Chairman Richard Neal (D-MA) on Tuesday “called on the Trump administration to come up with a way for seniors and other vulnerable groups to get their coronavirus relief checks without having to file a tax return.” Neal “said in a statement that he and fellow Democrats on the committee ‘strongly urge’ Treasury Secretary Steven Mnuchin and Social Security Commissioner Andrew Saul ‘to find a solution that will allow vulnerable groups to receive these funds automatically.’” Neal also “said that he and his colleagues have been flooded with calls from senior citizens who are concerned about whether they will be able to receive their checks. He also noted that centers providing free tax-filing assistance to vulnerable communities are temporarily closed because of the coronavirus pandemic.”

**Pompeo: US Might Rethink Iran Sanctions In Light Of Coronavirus Outbreak. (REU, NTLRVW, WASHEX, HILL)**

Reuters (3/31, Mohammed, Pamuk) reports Secretary of State Pompeo “held out the possibility on Tuesday that the United States may consider easing sanctions on Iran and other nations to help fight the coronavirus epidemic but gave no concrete sign it plans to do so.” To Reuters, Pompeo’s comments “reflected a shift in tone by the US State Department, which has come under withering criticism for its hard line toward sanctions relief.”

In an analysis, National Review (3/31, Tobin) says Treasury Secretary Steven Mnuchin’s “recent besting of Mike Pompeo on whether to waive sanctions on Iran’s nuclear program raises questions about the Trump administration’s resolve vis-à-vis Iran.” Despite Pompeo’s “strenuous objections,” the State Department “announced that it will renew the waivers,” a decision that “was a clear victory for Treasury Secretary Steve Mnuchin and a setback for Pompeo, who has been outspoken in his view that that the administration should maintain the pressure on Iran despite sympathy for the country generated by its being hit hard by the coronavirus.” With “Mnuchin’s view on sanctions apparently winning the day, it’s clear that he has President Donald Trump’s ear on the issue.”

***Some Democrats Urge US To Suspend Sanctions.*** The Washington Examiner (3/31, Halaschak) reports Sen. Bernie Sanders (I-VT) joined Reps. Alexandria Ocasio-Cortez (D-NY), Ilhan Omar (D-MN), “and other Democratic lawmakers in a letter urging the United States to ease sanctions on Iran because of the coronavirus pandemic.” The letter, sent to Pompeo and Secretary Mnuchin on Tuesday, said, “By



targeting an entire economy that supports more than 80 million people, US sanctions make it harder for ordinary Iranians to obtain basic necessities like food and hygienic supplies.”

**Commentary: Sanctions Relief Not Required To Help Iran’s Coronavirus Response.** In an op-ed for The Hill (3/31), Washington Institute fellows Katherine Bauer and Dana Stroul write that, “In the case of Iran and its struggle to contain the virus and treat the sick, however, sanctions relief is not a cure-all. Moreover, systematic corruption of Iran’s leaders and the weak capacity of its government mean it is doubtful that lifting sanctions would translate into the robust response the Iranian people need and deserve.” Bauer and Stroul argue “there are actions that the United States could take – short of lifting sanctions – to aid the humanitarian response in Iran. Without fundamentally altering the sanctions infrastructure, the administration could provide greater clarity on allowable humanitarian trade and authorizations for nongovernmental organizations (NGOs) to expand their work in Iran.”

### **Media Analyses: Mnuchin, Powell Charged With Managing Coronavirus’ Impact On Economy. (NYT, WSJ, HILL)**

In an analysis, The New York Times (3/31, Rappeport, Smialek) calls the coronavirus “the most significant economic threat since at least 2008” and says it has thrust Treasury Secretary Steven Mnuchin and Fed Chairman Jerome Powell “into key roles in determining whether the United States economy suffers a short, manageable slowdown or enters a deep and painful recession.” Mnuchin and Powell’s efforts “are critical not only to workers and businesses but also to Mr. Trump, who has staked much of his reputation on a climbing stock market and robust economy, both of which are now threatened” as he faces reelection.

Similarly, The Wall Street Journal (3/31, Davidson, Davis) reports Mnuchin has become an indispensable actor in Washington’s effort to manage the COVID-19 crisis and save the US economy from sinking further toward depression.

In a profile on Rep. Mark Meadows’ (R-NC) transition to White House chief of staff, The Hill (3/31, Beavers) says Meadows “got to know Treasury Secretary Steven Mnuchin from their work on postal reform, according to one former administration official who worked closely with Mnuchin.” The Hill says Mnuchin “is one of the few remaining original Cabinet members under Trump, and one who is playing a key role advising Trump on the economic impact of the coronavirus,” having “helped lead negotiations with Congress on legislative packages to address the coronavirus pandemic, including the \$2 trillion emergency relief passage approved by both chambers and signed by Trump last week.”

### **MAJOR DEPARTMENT MENTIONS**

#### **Treasury Gives Businesses 90 More Days To Make Excise Tax Payments. (REU)**

Reuters (3/31, Lawder) reports the Treasury Department said it is giving businesses 90 more days to make excise tax payments on tobacco and other products that would be due between March 1 and July 1. The Treasury will waive penalties and interest accordingly.

#### **Trump Set To Delay Certain Tariff Payments By Three Months (BLOOM)**

Citing “people familiar with the matter,” Bloomberg (3/31, Leonard) reports that President Trump has “approved a proposal pushed for by some businesses to delay payment of certain tariffs by three months.” According to one of the people, the announcement of the decision will be in the form of an executive order that “could come as soon as this week.” The order, which “would give the Treasury Department the authority to direct Customs and Border Protection to delay collecting tariffs on those imports for 90 days,” would not “apply to tariffs Trump imposed as a result of an enforcement action, such as on Chinese goods or steel and aluminum from around the world.”

## **POLITICO MORNING MONEY**

**Wall Street gets (mostly) grim** — Stocks finished their worst quarter since 2008 on Tuesday and big bank analysts are increasing their assessments of the coronavirus impact. Goldman Sachs now sees a decline of 9 percent of GDP in the first quarter and 34 percent in the second quarter with unemployment hitting nearly 15 percent.

But Goldman also sees a strong bounce back to 19 percent growth in the third quarter and an overall GDP decline of 6.2 percent on an annual-average basis for 2020.

**Morgan Stanley, meanwhile, estimates jobless claims** on Thursday, rising from 3.28M to 4.45M for the week ending March 28. “Our projection is based on a state-by-state deep dive on underlying trends seen in the last report, paired with an assessment of the time line of closures in individual regions.”

**But does anyone really know anything?** — Economists aren’t epidemiologists. And even epidemiologists don’t really know when the U.S. will bend the corona curve and start to get the economy back rolling again.

**MM spoke with Jan Hatzius**, chief economist at Goldman Sachs, about his calls and the difficulty of doing his job during this age of corona.

**Why such a strong Q3 snap back?:** “Partly because we probably have a bigger drop in Q2 than most ... 34 percent is probably the biggest or one of the biggest [forecasts]. A lot of people have less of a decline.

“When the virus news improves and maybe we can start to go back to work, there are a number of scenarios that could allow some re-engagement, some things are going to come back pretty quickly.

“We are all going to get a haircut. Local types of economic activity, restaurants, those things come back relatively quickly when the news improves. Other big ticket things will take longer.”

**Doesn’t this depend on the rescue package working very well?** — “I do think the rescue package is pretty well targeted and pretty large. ... Subsidies for keeping employees on the books is the right idea ... Some of this comes too late because we’ve already seen a lot of layoffs. The key question in the data are jobless claims and we are way at the top of the list expecting 5.25 million.”

**Does anyone actually know anything?** — “It’s very hard to know especially given we are not experts in medical issues or epidemiology. We try to learn about a lot of these things. And I’ve learned a lot about it in the last couple of months. That still doesn’t mean we are any kind of experts.

“A lot of what we do is study the curve to try and get some sense. And you can learn from what China did and what happened in Korea and what’s happening in Italy now, including some encouraging signs. But really modeling these things, that’s not something we really do. ... I don’t feel like I have a very good handle on it ... But empirically looking at what numbers tells us from other countries, we are probably on more solid ground in that respect.”

**QUOTE OF THE DAY** — President Donald Trump at his daily presser: “We are going to go through a very tough two weeks ... This is going to be a painful, very, very painful two weeks.” Very different tone than “We’ll be open by Easter!” He does seem to have been swayed by the medical experts, which is good.

### **Coronavirus effects**

**THE BLEAK LANDSCAPE AHEAD** — Our Caitlin Oprysko: “Medical experts from the White House coronavirus task force ... delivered a sober, data-driven presentation that characterized a six-figure death toll from the coronavirus pandemic as the low-end ‘goal’ of the Trump administration’s mitigation efforts. ... One chart, labeled ‘Goals of Community Mitigation,’ placed one of the best-case projections around 100,000 to 240,000 deaths.”



**STIMULUS AHEAD?** — Via [Trump tweet](#): “With interest rates for the United States being at ZERO, this is the time to do our decades long awaited Infrastructure Bill. It should be VERY BIG & BOLD, Two Trillion Dollars, and be focused solely on jobs and rebuilding the once great infrastructure of our Country! Phase 4”

**MM SIDEBAR** — Phase 4 is gonna be a tough one, especially as Democrats are raising things like a retroactive lifting of the SALT deduction cap, which is a non-starter with the GOP. Republicans and Democrats are also far apart on how you actually do a big infrastructure plan. Could they find common ground? Sure. But it’s a real reach.

And just adding another \$2 trillion in debt is not going to sit well with some Republicans, even in the deficits don’t matter era. And as my Playbook colleagues noted on Tuesday afternoon, the parties are sharply split on bumping up the gas tax to help pay for infrastructure.

**ECONOMISTS PAN SALT PLAN** — Our Bernie Becker: “Economists and tax experts from across the political spectrum are panning House Speaker Nancy Pelosi’s idea to stimulate the economy in the next bailout bill by raising the federal cap on tax deductions for state and local taxes. The move wouldn’t give the economy much of a boost, they say.”

**CONFIDENCE SLIPS** — Our Victoria Guida: “The coronavirus pandemic is finally starting to take a toll on one of the economy’s most important strengths under ... Trump: consumer confidence.”

**QUESTIONING THE SNAP BACK** — Via S&P: “Though our base case sees GDP growth rebounding in the second half as consumer demand revives and firms rush to fill back orders and restock inventories, much economic activity that depended on household discretionary spending will be lost permanently, with risks to the downside increasing in conjunction with escalating unemployment.”

**RECESSION WITHOUT A PURPOSE** — Jim Paulsen, Chief Investment Strategist at The Leuthold Group: “Essentially, the contemporary contraction is a ‘Recession Without a Purpose!’ It was not needed to restore a solid foundation for another economic expansion.

“Rather, this recession (and probably a very deep one at that!) is simply the inadvertent casualty of a war on a nasty health bug. To be sure, it will create considerable hardship, and if it lasts long enough, may produce significant and difficult to reverse economic damage.”

**ENOUGH OVERSIGHT?** — Columbia Business School Professor Shivaram Rajgopal in FORBES: “Of the \$2 trillion rescue package passed by Congress .. \$500 billion is dedicated to loans to companies, industries, cities and towns, made vulnerable by the pandemic. ... [T]hese restrictions can be waived at the Treasury Secretary’s discretion leaving many, myself include to ask; are these conditions enough and effective? I have my doubts”

**WHO WILL NEED CHECKS?** — Via Brookings’ Aaron Klein: “I am out with a new piece with an estimate of how many people may require paper checks under the CARES stimulus payment: 70 million. That’s over 8 times the size of the unbanked population.”

**BANKS STEP UP** — Via BPI: “BPI research shows that its member banks have made about \$400 billion in commercial loans to America’s small and large businesses in the first quarter of 2020 alone, increasing their lending by 12.7% during that period, or almost 51% on an annualized basis.”

## Markets

**STOCKS CLOSE OUT WORST QUARTER SINCE 2008** — AP’s Stan Choe, Damian Troise and Alex Veiga: “Stocks ... [wrapped] up its worst quarter of performance since the 2008 financial crisis ... pushing its loss for the first three months of the year to 20.2%.

“Trading was similarly shaky elsewhere earlier in the day: Global markets initially rose following a stronger-than-expected report on China’s economy, but momentum briefly stalled after the number of

deaths caused by the coronavirus outbreak jumped in Spain. Major European indexes shook off the early slide and were headed higher.”

**FED TO LAUNCH NEW LENDING FACILITY FOR FOREIGN CENTRAL BANKS** — WSJ’s Nick Timiraos: “The Federal Reserve said ... it would launch a temporary lending facility that will allow foreign central banks with accounts at the Fed to convert their holdings of Treasuries into dollars, its latest bid to alleviate strains in global markets.”

### **Fly Around**

**CRYPTO GETS A PAC** — Protocol’s Emma Johanningsmeier: “Cryptocurrency advocates have long complained that U.S. regulations governing their industry are either unclear, illogical or nonexistent. By launching a political action committee — formed in January but just unveiled publicly — they seek to change that.

“‘HODLpac is a new tool in the crypto policymaking toolbox,’ Kristin Smith, one of the PAC’s board members, told Protocol. ‘We have the Blockchain Association, standards groups and the Crypto Rating Council, but there hasn’t really been an organized grassroots and political giving organization.’”

**WELLS FARGO: DEBT TO SURGE BY \$1.4T NEXT QUARTER** — Reuters: “The U.S. government is likely to increase its debt by \$1.4 trillion in the second quarter, as it raises cash to finance stimulus that is meant to blunt the economic impact of the coronavirus pandemic, analysts at Wells Fargo said on Tuesday.

“Trump on Friday signed into law a \$2.2 trillion aid package, the largest ever, to help offset the downturn caused by sweeping shutdowns aimed at containing the outbreak. This includes sending checks to Americans and rushing billions of dollars to medical providers on the front lines of the pandemic.”

**HOW MNUCHIN BECAME WASHINGTON’S CRISIS MANAGER** — WSJ’s Kate Davidson and Bob Davis: “At a World Economic Forum dinner in Davos, Switzerland, Treasury Secretary Steven Mnuchin spoke up. It was 45 minutes into a conversation about climate change and trade, and no one had mentioned the most important issue facing the world, he said: The deadly new coronavirus spreading across China.

“Mr. Mnuchin told dinner guests he worried the health crisis could undermine global growth. Earlier that day, Jan. 23, Chinese officials said they were cutting transport in and out of Wuhan, the epicenter of the public health crisis. Today, the U.S. is a pandemic hot zone, and Mr. Mnuchin has become Washington’s indispensable deal-maker in trying to keep the crisis from throwing the world’s largest economy into the deepest downturn since the Great Depression.”

**JPMORGAN ANNOUNCES NEW DIVERSITY PUSH** — NYT’s Emily Flitter: “JPMorgan Chase is increasing its efforts to diversify its work force and customer base after a Dec. 11 New York Times report showed a black customer and a black employee each struggling to gain access to the same opportunities as their white peers at the country’s largest bank.

“In a memo to employees on Tuesday, Gordon Smith and Daniel Pinto, JPMorgan’s acting co-chief executive officers, said the bank was making diversity training mandatory for all employees and would pay more attention to employee complaints.”



**From:** (b)(6)  
**Sent:** Thu, 2 Apr 2020 08:15:48 -0400  
**To:** Undisclosed recipients:  
**Subject:** 04-02-2020 PA Senior Staff Notes  
**Attachments:** 04-02-2020 PA Senior Staff Notes.docx

April 2, 2020

**Public Affairs Notes:**

**This week:**

- **There are no public events to report for the remainder of the week. Updates will be provided as they become available.**

**SECRETARY MENTIONS**

**Amid GOP Skepticism, Both White House And Democrats Planning Infrastructure Plan. (NSDY, NYT, AP, CBSNEWS, WP, POLITICO, REU, CNBC, HILL, CQRC, WASHEX, MRKTTWCH)**

As House Speaker Pelosi outlined plans for additional coronavirus relief legislation, media reports highlight the seeming agreement between House Democrats and the White House about the need to pursue an infrastructure spending package. In a notable twist, the coverage also points out it is Republicans who may oppose that course of action. Pelosi's comments yesterday follow a Tuesday tweet by Trump in which he called for a "VERY BIG & BOLD, Two Trillion Dollars" package. Newsday (4/1, Brune) reports the President expanded on that theme during his White House coronavirus briefing, saying, "I'm suggesting \$2 trillion. We redo our roads, our highways, our bridges, we fix up our tunnels, which are many of them in bad shape, like coming into New York. ... And we really do a job on our infrastructure." Newsday adds that Treasury Secretary Steven Mnuchin said Wednesday on CNBC's Squawk On The Street that the Administration has "been discussing this for the last year with the Democrats and the Republicans. ... I've had ongoing conversations with" House Ways and Means Chairman Richard Neal (D-MA) "on this. And we'll continue to have those conversations."

The New York Times (4/1) reports the President "endorsed the prospect of an infrastructure program" on Tuesday, and "campaigned in 2016 on a promise to launch a \$1 trillion infrastructure initiative." The Times says "it remains to be seen whether lawmakers and the White House can reach agreement now, although the crisis has created a new willingness among Republicans to embrace costly and far-reaching government programs of the sort they typically resist." The AP (4/1) also reports that "Republicans have qualms about whether such a costly proposal is yet needed, and infrastructure plans have a recent history of going nowhere."

On its website, CBS News (4/1, Segers) says Republicans "have been wary about crafting new coronavirus legislation so soon after Mr. Trump signed three relief bills in March, including the massive \$2.2 trillion package finalized last week." Senate Majority Leader McConnell "said in an interview with radio host Hugh Hewitt on Tuesday that any phase four legislation passed in the House would not get far in the upper chamber." McConnell also told the Washington Post (4/1, Costa) that Pelosi "needs to stand down on the notion that we're going to go along with taking advantage of the crisis to do things that are unrelated to the crisis." The Post says McConnell's "aversion to following Pelosi's lead is shaped in part by his own experience in the last round of pandemic relief talks, where McConnell saw his framework for Senate negotiations dismissed by the speaker, who instead worked closely with Senate Minority Leader

Charles E. Schumer (D-N.Y.) and Treasury Secretary Steven Mnuchin.” Politico (4/1, Everett, Levine, Ferris) reports that “at a minimum, senior GOP lawmakers argued, Congress should see how the \$2 trillion bill passed last week affects the economy and health care system.”

To the New York Times (4/1, Cochrane), “Whether or not a compromise can be reached, the infrastructure issue is likely to become a centerpiece of both Mr. Trump’s re-election campaign, and the Democratic fight to retain control of the House and win the Senate, as the two parties compete to position themselves as more responsive to voters’ needs.” Trump “has battled with Democrats over how to pay for such a plan, and attempts to transform the bipartisan aspirations into action have fallen short so many times that the phrase ‘Infrastructure Week’ has become something of a joke in Washington.” Secretary Mnuchin said Wednesday on CNBC, “The president very much wants to rebuild the country, and with interest rates low, that’s something that’s very important to him. ... We expect there will be more bills, and we think it is a great time now to invest in infrastructure.” In a follow-up piece, the New York Times (4/1, Cochrane, Sullivan) says that “with growing consensus that the coronavirus pandemic could jumpstart bipartisan efforts to enact a multitrillion-dollar infrastructure plan to create thousands of jobs, the Trump administration and Congress appear to be taking the issue seriously again.”

Despite potential GOP opposition, Politico (4/1, Snyder) reports along similar lines, “there may be enough bipartisan support for an infrastructure package to move it through,” as Trump’s push means “it’s not just Democrats pushing for an infrastructure component to coronavirus aid.” Reuters (4/1, Lambert) recounts that Secretary Mnuchin “told CNBC on Wednesday that...Trump was interested in using road, bridge and other projects to blunt the economic effects of the coronavirus crisis and the administration was having talks about creating an infrastructure plan.”

CNBC (4/1, Javers, Pramuk) reports on its website that Secretary Mnuchin also said on CNBC, “we expect there will be more bills. ... If we need more programs and more money, we will be going back to Congress and asking for that.” However, CNBC also cites “two senior administration officials” who say “the White House is not currently planning for a fourth emergency coronavirus response proposal as it focuses on implementing the unprecedented \$2 trillion relief package passed last week.” One “senior administration official” clarified, however, that while “the White House is not currently working on another relief plan...Trump will ultimately decide whether to move forward with a new bill,” saying, “We are focused on implementing Phase 3, but no staffer can rule out plans for Phase 4.”

CNBC (4/1, Pramuk) also reports on its website that “infrastructure, one of the areas in which Democrats hoped to work with...Trump when he first took office, has jumped to the forefront of Washington’s policy discussions again as the government tries to mitigate the outbreak’s dire human and economic toll.” Pelosi said yesterday “she is ‘pleased the president has returned to his interest’ in the issue,” and “called an infrastructure proposal ‘essential because of the historic nature of the health and economic emergency that we are confronting.’”

The Hill (4/1, Lillis) indicates that “the Democrats’ pitch got a huge boost on Tuesday, when...Trump – who had won the White House on vows to adopt sweeping public works improvements – promoted a \$2 trillion infrastructure package as the next phase of coronavirus response.” The Hill adds that “the central thrust of the emerging legislation...will be an enormous boost in infrastructure funding, designed both to create jobs amid the economic downturn and bolster the nation’s health, transportation, broadband and education systems – networks exposed as woefully insufficient, the Democrats argue, by the swift-moving pandemic.” The Hill says Secretary Mnuchin told CNBC, “We’ll continue to have those conversations, so we expect there will be more bills. And we think it is a great time now to invest in infrastructure.”

Along the same lines, CQ Roll Call (4/1, Wehrman) reports “Democrats have responded to...Trump’s call for a \$2 trillion infrastructure investment in the next coronavirus relief bill by dusting off the five-year, \$760 billion infrastructure plan they introduced in January.” The Washington Examiner (4/1, Ferrechio) reports the Democrats’ legislation “includes many provisions to combat climate change,



such as requirements for more electric vehicles and high-speed rail.” Pelosi “told reporters Wednesday the next bill will also address education and housing.”

CQ Roll Call (4/1, McPherson) cautions that “Pelosi’s ambition to have the House return April 20, which would align with the tentative date McConnell has set for the Senate’s return,” but the timetable “does not align with estimates on how long the country will need to quarantine to contain the virus.”

The Washington (DC) Post (4/1, Duncan) and MarketWatch (4/1, Reklaitis) also report.

**Social Security Beneficiaries, Others Who Don’t File Taxes Can Still Get Stimulus Checks. (USAT, WP, REU, WSJ, HILL, POLITICO, NYT, NBCNEWS, CNBC, CBSNEWS, FOXB, MRKWTWCH, BIOUP, SJBIZ)**

USA Today (4/1, Collins) reports Social Security recipients and residents who haven’t filed taxes over the past two years can receive their one-time stimulus checks, but the IRS “says they will have to take an extra step to get the money.” While Americans who filed tax returns in 2018 or 2019 will have their checks sent automatically in the next three weeks, it was reported that those who have not will “need to file a simple tax return to receive one of those payments.” The new filing requirement has “raised some objections from some lawmakers,” with 41 Senators writing a letter to Secretary Mnuchin arguing the requirement places a “significant burden” on retired seniors and those with disabilities.

However, The Washington Post (4/1, Long) reports the Treasury Department “announced late Wednesday that Social Security beneficiaries who typically do not file a tax return will automatically get the \$1,200 payment.” That announcement was “a reversal from earlier in the week when the Internal Revenue Service said everyone would need to file some sort of tax return in order to qualify for the payments. Democrats and some Republicans criticized the IRS for requiring so many extra hurdles for this vulnerable population to get aid when the government already has their information on file.” Mnuchin said in a statement, “Social Security recipients who are not typically required to file a tax return need to take no action, and will receive their payment directly to their bank account.”

Additional coverage is provided by Reuters (4/2, Beech), The Wall Street Journal (4/1, Rubin), The Hill (4/1, Jagoda), Politico (4/1, Faler), The New York (NY) Times (4/1, Lieber, Rappeport), NBC News (4/2, Kapur, Lederman), CNBC (4/1, Konish), CBS News (4/1, Picchi), Fox Business (4/1, De Lea), and MarketWatch (4/1, Rubin).

***Officials Scramble To Prevent Delay Of \$1,200 Coronavirus Payments.*** The Washington Post (4/1, Romm) reports that while Secretary Mnuchin on Sunday “sounded an optimistic note, pledging at one point that coronavirus support would reach many Americans ‘within three weeks,’” US officials are “scrambling to stand up a new system to send coronavirus stimulus checks to millions of Americans, raising fresh fears that technical glitches and mismanagement could undermine a centerpiece of the Trump administration’s economic-recovery effort.” Companies including Square and PayPal, “which owns the popular app Venmo, have encouraged federal officials to use their cash-swapping services to distribute aid promptly to Americans.” However, two sources familiar with the conversations “acknowledged it was unlikely the government could quickly broker such an unprecedented arrangement, which would be a boon for those businesses.” The Post also notes federal aides “raised concern about how, exactly, the government could determine the real identity of a person who uses Venmo, Square or another service.”

***Fintechs In Talks With Treasury Department Over Distributing Stimulus Checks.*** Biometric Update (4/1, Burt) reports, “Fintechs supporting biometric security like Venmo and Cash App have had talks with the U.S. Treasury Department about using their services to deliver pandemic crisis economic stimulus payments directly to Americans, CNN reports, saying they offer a faster way to deliver the cash and a way to reach people without bank accounts.” A “pair of sources from the electronic payments industry told CNN that staff from Square, which owns Cash App, and PayPal, which own Venmo, have held private talks with the U.S. Treasury over the past few weeks.” Said one source, “They [the US



government] know they need to get this money out the door quickly so I think they are open to quicker methods. ... Last time they were doing this was 2008 and 2009 and the technology didn't exist as it does today." Behind a paywall, [Silicon Valley \(CA\) Business Journal](#) (4/1, Gardner) also reports.

**Mnuchin Says Paycheck Protection Loans Will Be Available Friday. (WT, CNBC, PLAINDLR, WASHEX, NYINTEL, THADV, WP, BLOOM)**

The [Washington Times](#) (4/1, Boyer) reports Treasury Secretary Steven Mnuchin "said \$350 billion in grants and Small Business Administration job-retention loans will be available beginning on Friday. The loans can be used for payroll, rent and utilities." Appearing on CNBC's Squawk On The Street, Mnuchin said, "This program is going to be up and running on Friday. You can take out a loan for up to eight weeks of payroll, as well as overhead. As long as you hire the people back, the loan is forgiven. It's a great way to hire people back and make sure you're getting paid. If you have people at work, this will cover about 50% of the payroll of the private enterprises." Also providing coverage is [CNBC](#) (4/1, Domm) and the [Cleveland Plain Dealer](#) (4/1, Eaton).

***Mnuchin Will Ask Congress For More Funding If \$350B Pool For Small Businesses Runs Out.*** [CNBC](#) (4/1, Pramuk) reports Secretary Mnuchin "said Wednesday that he will ask Congress for more money to sustain U.S. small businesses during the coronavirus pandemic if the White House doles out all of a new \$350 billion loan pool." Mnuchin said on CNBC, "One of the things I've heard is this small business program is going to be so popular that we're going to run out of our \$350 billion. If that's the case, I can assure you that will be top of the list for me to go back to Congress on. It has huge bipartisan support and we want to protect small business." Also reporting are the [Washington Examiner](#) (4/1, Heflin), New York Magazine's [Intelligencer \(NY\)](#) (4/1, Levitz), and [ThinkAdvisor](#) (4/1, Waddell).

***Trump Administration Hurries To Ready Small Business Relief Loans By Friday.*** The [Washington Post](#) (4/1, Lynch) reports, "A crush of loan applications could swamp the Trump administration's effort to speed money to cash-strapped small businesses, complicating hopes of keeping tens of millions of Americans employed during the coronavirus shutdown, according to lenders and analysts." The Administration is attempting to move quickly in approving so-called "paycheck protection" loans meant to enable small businesses to retain workers while unemployment soars due to the coronavirus shutdown. The program "offers small businesses 100 percent government-guaranteed loans, which will be forgiven if the company retains the workforce it had before the pandemic." Secretary Mnuchin said the process would be "very, very easy," and that the first applications can be submitted this Friday.

[Bloomberg](#) (4/1, Dorning, Sharpe) reports the "stimulus may not deliver a rescue in time for the many small businesses and families who lack the cash to stay afloat for more than a week or two...Yet it could be weeks more before the business loans, bigger unemployment checks and direct payments to individuals from the stimulus plan flow into the economy." President Trump has extended social distancing guidelines – which keep many businesses including restaurants, bars, and movie theaters – closed to limit the spread of the coronavirus. About 50,000 retail stores have shut down causing more than 600,000 workers to be laid off.

**Flights Attendants Ask Mnuchin Not To Take Stake In Airlines. (CNBC, WSJ, POLITICO, REU, BLOOM, FT)**

[CNBC](#) (4/1, Josephs) reports labor unions "representing some 94,000 flight attendants, including those at American, United, Spirit and Southwest, told Treasury Secretary Steven Mnuchin in a letter that" requiring airlines to give the federal government an equity stake in exchange for grant "could cost them their jobs." The letter called the Treasury Department's request for financial instruments a move that "effectively renders the payroll grants a poison pill that will cost us our jobs and push us onto taxpayer-funded unemployment insurance – the opposite of what this bipartisan agreement intended." Sara Nelson, president of the Association of Flight Attendants, said, "Much like an education grant, the value is in the



student who contributes their learning to society. The value here is a functioning airline industry, no layoffs, and 2 million people who can still pay taxes because they are employed.”

The Wall Street Journal (4/1, Sider) reports the unions sent the letter to Mnuchin asking him not to require that airlines give a stake to the government in exchange for cash grants. The union leaders claimed that requiring the airline to give a stake to the government will lead to job losses. The Treasury Department on Monday asked airlines requesting cash grants to determine which financial instruments the airlines believe is “appropriate compensation for the government.”

Politico (4/1, Mintz) reports in its Morning Transportation rundown that Regional Airline Association President and CEO Faye Malarkey Black sent a letter to Mnuchin and Transportation Secretary Elaine Chao asking the government not to seek warrants or “other financial instruments” from regional airlines. She wrote, “Since most regional airlines do not have the ability to take on debt, access capital markets, or issue warrants or equity, any condition to do so would render these carriers unable to obtain assistance, and force these carriers to immediately furlough tens of thousands of aviation employees.”

***Democrats Urge Mnuchin Not To Hold Up Grants To Airlines.*** Reuters (4/1, Shepardson) reports House Speaker Nancy Pelosi (CA) called on Secretary Mnuchin to make the \$25 billion in cash available to the airlines as soon as possible. She said, “We do want them to honor what our conversation was, which is this is just a stopping-off point for the check. It goes to the airline and directly to the employee,” adding, “We just don’t want to hold it up.” House Transportation and Infrastructure Committee Chair Peter DeFazio (D-OR) said Mnuchin should choose “something reasonable” for the grants, adding, “If Mnuchin wants to condition those (loans) more, fine – take your pound of flesh. But don’t slow down the payroll assistance, which is what he is in the process of doing right now.” Bloomberg (4/1, Levin, Bachman, Wasson) reports DeFazio said the government isn’t “asking small businesses for warrants,” and if the government seeks warrants equivalent to the payroll of “one major carrier” through September, the government would own 54 percent of the airline. DeFazio said, “I don’t think the airline will pay their people under those conditions.”

***Treasury Selects Banks To Advise On Airline Bailout.*** The Wall Street Journal (4/1, Lombardo, Hoffman) reports the Treasury Department has tapped PJT Partners, Moelis MC & Co., and Parella Weinberg Partners to assist the agency with the airline portion of the stimulus package. The responsibilities will be divided into commercial airlines, cargo airlines, and aerospace firms important to national security. The Journal says the selection of boutique firms that deal advice instead of money reduces the number of conflicts of interest. Reuters (4/2, Spector, Roumeliotis) reports based on the Journal’s coverage. The Financial Times (4/2, Fontanella-Khan, Platt) also reports.

***WSJournal: Treasury Stakes In Airlines Must Be Short-Term Only.*** A Wall Street Journal (4/1) editorial says the coronavirus relief bill passed last week includes some \$50 billion for America’s airlines. The measure also authorizes Treasury Secretary Steven Mnuchin to accept compensation for the federal government and take an equity interest in airlines that receive loans. The Journal expresses concern over a long-term nationalization of the airlines and says the White House should make clear that it will relinquish its stake as soon as possible.

#### **Mnuchin: Mortgage Relief Only For Affected Borrowers. (BLOOM)**

Bloomberg (4/1, Dexheimer) reports Treasury Secretary Steven Mnuchin “said only homeowners who have lost their jobs because of the coronavirus crisis will qualify for new government programs that let borrowers put off mortgage payments.” Mnuchin told CNBC on Wednesday, “If people don’t have jobs and people have hardships, they can forbear. If people do have jobs, we expect those people to continue paying mortgages.” CNBC reports, “Regulators including the Federal Housing Finance Agency and Department of Housing and Urban Development also have called for forbearance to be offered. FHFA

Director Mark Calabria has said that the new rules are not meant to be a ‘mortgage holiday,’ but are put in place only for borrowers who really need it.”

### **AP Analysis: Mnuchin Emerges As “Biggest Power Broker” In DC. (AP)**

The AP (4/1, Boak, Colvin) reports President Trump “aims to shovel \$2.2 trillion into the U.S. economy over the next few weeks to try to cushion its free fall. But that means putting his fate in the hands of banks, profit-minded businesses and government bureaucrats he has frequently derided, along with a man who has emerged as arguably the biggest power broker to business in Washington: Treasury Secretary Steven Mnuchin.” At the center of the “massive bailout package” is Mnuchin, “a former hedge fund manager and movie producer who helped to write the package and shepherd it through Congress and now has enormous discretion over which industries are most in need and how to dole cash out accordingly.”

### **MAJOR DEPARTMENT MENTIONS**

#### **3.3 Million Americans With Missed Child Support Payments Could Be Denied Stimulus Funds. (NBCNEWS)**

NBC News (4/1, Kapur) reports, “An estimated 3.3 million Americans with overdue child support debt could lose cash payments of up to \$1,200 in the new coronavirus stimulus package, which penalizes delinquent parents.” Not all of the 3.3 million “will qualify for money – income thresholds max out at \$99,000 for an individual or \$198,000 for a married couple – but many who are otherwise eligible and might be desperate for cash will see their payments intercepted.”

### **BROADCAST LINKS**

#### **Mnuchin: Small Business Relief Program Will Be “Up And Running” By Week’s End. (CNBC)**

In an interview Wednesday on CNBC’s Squawk On The Street (4/1), Treasury Secretary Steven Mnuchin said the relief program for small businesses “is going to be up and running tomorrow. I’m pleased that working with the SBA, we’ll be able to deliver it.” Mnuchin said of the paycheck protection program, “you can take out a loan for up to eight weeks of payroll as well as overhead.” Mnuchin said he “would encourage every small business go to Treasury.gov, there’s a red banner on the top, click on it, you will get the information. And you can go to any SBA lender, you can go to any FDIC Insured Bank and any credit union, call your lender, see if they participate. I very much want people to sign up for this. It’s a great way to hire people back or make sure you’re getting paid if you have people at work. And this will cover about 50% of the payroll of the private enterprises.”

### **POLITICO MORNING MONEY**

**First in Morning Money: Goldman aids small business** — Goldman Sachs this morning plans to announce a \$300 million effort to aid small businesses and communities suffering through the coronavirus crisis. The package includes \$250 million in emergency small business loans, \$25 million in grants to Community Development Financial Institutions and a \$25 million Covid-19 relief fund for hardest-hit communities.

**Per Goldman CEO David Solomon:** “Covid-19 has created an extraordinary global health and economic crisis and the urgency and scope of our actions must reflect this reality. ... We are deploying our capital and expertise to help small businesses navigate the incredible burdens they face, while ensuring that health providers and relief organizations have the funds they need to fulfill their missions.”

Goldman has fairly extensive experience working with small businesses through its “10,000 Small Businesses” program. And a spokesperson described the package as an effort to complement federal efforts aimed at getting loans as quickly as possible to small businesses so they don’t have to lay off staff.



**Speaking of layoffs: Brace for jobless claims** — Biggest economic data point of the week hits at 8:30 a.m. with the weekly jobless claims figures. Consensus on Wall Street has now bumped up above last week's record-smashing 3.3 million to 3.5 million. If the number stays in that range it would be a (very strange) kind of victory, and perhaps suggest at least a temporary peak in layoffs that could begin to roll back next week.

**But plenty of analysts think the number could be higher**, given the backlog in unprocessed claims and more lockdowns that went into place after last week's data. Pantheon's Ian Shepherdson: "Google Trends data indicate that the average daily number of searches for 'file for unemployment' rose by 60% last week. ... If the relationship between the Google data and the claims numbers is linear ... it implies that claims jumped last week to more than 5M.

"We now reckon that total claims between the March and April payroll survey weeks will be 14-to-18M. Adjusting this total to take account of the five-week interval between the surveys, and assuming that gross hiring was roughly zero, **we reckon that April payrolls will be reported down by about 12-to-16M, on May 8.**"

**MM SIDEBAR** — That would be an absolutely shocking figure. The biggest loss during the financial crisis was 800,000.

### **Driving the Day**

Jobless claims at 8:30 a.m. expected to rise to 3.5M from 3.3M but could go significantly higher ...

### **Coronavirus effects**

**CONFIDENCE DIPS** — Via Morning Consult: "Consumer confidence has fallen by 36% on average over the past five recessions, going back to 1980. The single-day value on March 31, 2020 was 85.02, a 26% fall from the February average.

"Given that we believe we are in or rapidly heading towards a recession, we expect another 12 point fall in confidence and for that fall to be sustained for at least an entire month. If policymakers are unable to mitigate the spillover effects of the economic shutdown, the fall in confidence could increase to 56%, which corresponds to the decrease felt during the Great Recession."

**UGH** — Via S&P: "Following mobility restrictions and closure of large segments of the economy due to COVID-19 and the swift onset of recession, all of S&P Global Ratings' sector outlooks in U.S. public finance are now negative."

**FED LOOSENS CAPITAL REQUIREMENTS** — Our Victoria Guida: "The Federal Reserve announced ... that it would temporarily loosen a backup capital requirement to make it less expensive for banks to hold cash and U.S. government bonds on their balance sheets, amid extremely low rates on Treasury securities and an influx of deposits into large banks."

**INFRASTRUCTURE UPDATE** — Treasury Secretary Steven Mnuchin on CNBC: "The president very much wants to rebuild the country. And with interest rates low, that's something that is very important to him. We've been discussing this for the last year, with the Democrats and the Republicans.

"I've had ongoing conversations with [Ways and Means Chairman] Richie Neal on this. We'll continue to have those conversations. So, we expect there will be more bills. And we think it is a great time now to invest in infrastructure."

**Senate Majority Leader Mitch McConnell**: "What I disagree with the speaker on is she's already saying we need to work on phase four. Well look, the current law has not been in effect for even a week ... may need a phase four, but we're not even fully into phase three."

**WHY IT COULD BE BAD FOR A WHILE** — NYT's Peter Goodman in London: “The world is almost certainly ensnared in a devastating recession delivered by the coronavirus pandemic. Now, fears are growing that the downturn could be far more punishing and long lasting than initially feared ...

“[E]ven after the virus is tamed ... the world that emerges is likely to be choked with trouble, challenging the recovery. Mass joblessness exacts societal costs. Widespread bankruptcy could leave industry in a weakened state, depleted of investment and innovation. Households may remain agitated and risk averse.”

**FLORIDA FINALLY GETS ON BOARD** — Our Matt Dixon: “Florida Gov. Ron DeSantis ... issued a statewide state-at-home order amid growing national scrutiny of his handling of the coronavirus pandemic.

“DeSantis said he made the decision after ... Trump on Tuesday announced the extension of federal guidelines urging Americans to avoid travel and practice social distancing until April 30.”

**CHINA PROVINCE LOCKS DOWN FOR SECOND WAVE** — South China Morning Post's Guo Rui and Echo Xie: “Henan province in central China has taken the drastic measure of putting a mid-sized county in total lockdown as authorities try to fend off a second coronavirus wave in the midst of a push to revive the economy.”

**TRUMP CONSIDERS UNIVERSAL MASKS** — Our Burgess Everett: “Trump is considering whether to recommend Americans wear face covers when out in public, according to Republican Sen. Pat Toomey, who spoke with the president on Tuesday.”

**JOBLESS SYSTEMS CRASH** — Our Megan Cassella and Katy Murphy: “In Michigan, the state unemployment filing system crashed this week because it was overloaded. In California, it may take much longer than usual for hundreds of thousands of jobless people to get their benefits. In New York, one laid-off worker says she called the state labor department 800 times before getting through.”

**EU AIMS TO 'INTENSIFY' NEGOTIATIONS WITH U.S.** — Our Jakob Hanke Vela in Brussels: “Brussels is seeking to breathe new life into negotiations on a regulatory deal with Washington, by stressing that such a deal could help fight the coronavirus pandemic.

“Under such an agreement, the EU and U.S. would agree to set standards jointly on future technologies, including pharmaceuticals, as well as streamline approvals of machines, medical devices and other products in each other's markets.”

**CALABRIA: VIRUS COULD BE WORSE THAN SUBPRIME MELTDOWN** — Our Katy O'Donnell: “The coronavirus crisis could lead to more delinquencies and foreclosures in some segments of the market than the subprime mortgage meltdown that started in 2007, Federal Housing Finance Agency Director Mark Calabria said ... ‘In some segments of the market, it's certainly possible,’ Calabria said in an interview with CNBC.

“The Federal Housing Administration, which largely serves low- and moderate-income borrowers, will get hit first, Calabria said, calling the FHA portfolio the “canary in the coal mine” for the broader housing market.”

**WHERE ARE THE 27 MILLION TESTS?** — Yahoo's Rick Newman: “Twenty-six million coronavirus tests have gone missing. Or maybe they never existed to begin with. On March 21, the White House said 27 million coronavirus test kits would be out in the health care system and available to patients by the end of March.

“At the end of March, however, the national total for coronavirus tests was just 1.1 million. Some tests were still in the pipeline, yet mayors and governors have been clamoring for the tests, which are crucial to containing the virus. So what happened to more than 20 million tests?”

**Markets**



**QUARTER STARTS OFF WITH ANOTHER BIG DROP** — WSJ's Alexander Osipovich, Avantika Chilkoti and Frances Yoon: “Stocks opened the second quarter with a bruising selloff on Wednesday after ... Trump issued a stark warning on the coronavirus pandemic, raising fears about its impact on the U.S. economy.

“The Dow Jones Industrial Average dropped 973.65 points, or 4.4%, to 20943.51, marking its worst-ever first day of a quarter. The S&P 500 fell 114.09, or 4.4%, to close at 2470.50. The Nasdaq Composite slid 339.52, or 4.4%, to close at 7360.58. All three indexes have lost at least one-quarter of their value since closing at record highs in February.”

**END OF THE STOCK/BOND RELATIONSHIP?** — Via MSCI: “The recent drop of stocks and bonds together led to fears that U.S. Treasuries were no longer the safe haven they had been in previous crises — and to fears of a structural break in the markets. Looking beyond a short period of illiquidity, the relationship between bonds and stocks has shown no signs of changing.

“Overall, Treasuries actually provided somewhat more downside protection than suggested by pre-crisis correlations, and the rates-equity correlation was actually even stronger over this period.”

### **Fly Around**

**BIG BANKS LOBBY FOR BAILOUT AID** — Our Zachary Warmbrodt: “Some of the richest firms in the business world — private equity companies and venture capitalists — are lobbying for their piece of the coronavirus bailout.

“Groups representing the firms are urging the Trump administration to let businesses that they own apply for \$350 billion in small business loans that Congress unleashed last week. The lobbying campaign is getting some traction — House Speaker Nancy Pelosi says it's a critical issue for Silicon Valley startups — but it's running into fierce resistance from finance industry watchdogs, who warn it could be a giveaway to wealthy investors.”

**BIDEN FLOATS CONVENTION DELAY** — Our Alex Thompson and David Siders: “The Democratic National Committee is facing rising pressure from officials across the country to delay the party's July convention in Milwaukee, with the original date — and format — for the mass gathering looking increasingly untenable amid the coronavirus pandemic. ...

“The DNC has been adamant that planning for the convention is continuing on schedule. But Joe Biden, the party's likely nominee, set off a new round of questions about the convention Tuesday night, when he said on MSNBC, ‘it was hard to envision’ the convention going off as originally planned after the outbreak. Biden added that the convention was originally scheduled to avoid competing for TV coverage with the 2020 Olympics — which have since been postponed.”

April 2, 2020

## Public Affairs Notes:

### This week:

- There are no public events to report for the remainder of the week. Updates will be provided as they become available.

### SECRETARY MENTIONS

#### **Amid GOP Skepticism, Both White House And Democrats Planning Infrastructure Plan. (NSDY, NYT, AP, CBSNEWS, WP, POLITICO, REU, CNBC, HILL, CQRC, WASHEX, MRKWTWCH)**

As House Speaker Pelosi outlined plans for additional coronavirus relief legislation, media reports highlight the seeming agreement between House Democrats and the White House about the need to pursue an infrastructure spending package. In a notable twist, the coverage also points out it is Republicans who may oppose that course of action. Pelosi's comments yesterday follow a Tuesday tweet by Trump in which he called for a "VERY BIG & BOLD, Two Trillion Dollars" package. Newsday (4/1, Brune) reports the President expanded on that theme during his White House coronavirus briefing, saying, "I'm suggesting \$2 trillion. We redo our roads, our highways, our bridges, we fix up our tunnels, which are many of them in bad shape, like coming into New York. ... And we really do a job on our infrastructure." Newsday adds that Treasury Secretary Steven Mnuchin said Wednesday on CNBC's Squawk On The Street that the Administration has "been discussing this for the last year with the Democrats and the Republicans. ... I've had ongoing conversations with" House Ways and Means Chairman Richard Neal (D-MA) "on this. And we'll continue to have those conversations."

The New York Times (4/1) reports the President "endorsed the prospect of an infrastructure program" on Tuesday, and "campaigned in 2016 on a promise to launch a \$1 trillion infrastructure initiative." The Times says "it remains to be seen whether lawmakers and the White House can reach agreement now, although the crisis has created a new willingness among Republicans to embrace costly and far-reaching government programs of the sort they typically resist." The AP (4/1) also reports that "Republicans have qualms about whether such a costly proposal is yet needed, and infrastructure plans have a recent history of going nowhere."

On its website, CBS News (4/1, Segers) says Republicans "have been wary about crafting new coronavirus legislation so soon after Mr. Trump signed three relief bills in March, including the massive \$2.2 trillion package finalized last week." Senate Majority Leader McConnell "said in an interview with radio host Hugh Hewitt on Tuesday that any phase four legislation passed in the House would not get far in the upper chamber." McConnell also told the Washington Post (4/1, Costa) that Pelosi "needs to stand down on the notion that we're going to go along with taking advantage of the crisis to do things that are unrelated to the crisis." The Post says McConnell's "aversion to following Pelosi's lead is shaped in part by his own experience in the last round of pandemic relief talks, where McConnell saw his framework for Senate negotiations dismissed by the speaker, who instead worked closely with Senate Minority Leader Charles E. Schumer (D-N.Y.) and Treasury Secretary Steven Mnuchin." Politico (4/1, Everett, Levine, Ferris) reports that "at a minimum, senior GOP lawmakers argued, Congress should see how the \$2 trillion bill passed last week affects the economy and health care system."

To the New York Times (4/1, Cochrane), "Whether or not a compromise can be reached, the infrastructure issue is likely to become a centerpiece of both Mr. Trump's re-election campaign, and the Democratic fight to retain control of the House and win the Senate, as the two parties compete to position themselves as more responsive to voters' needs." Trump "has battled with Democrats over how to pay for



such a plan, and attempts to transform the bipartisan aspirations into action have fallen short so many times that the phrase ‘Infrastructure Week’ has become something of a joke in Washington.” Secretary Mnuchin said Wednesday on CNBC, “The president very much wants to rebuild the country, and with interest rates low, that’s something that’s very important to him. ... We expect there will be more bills, and we think it is a great time now to invest in infrastructure.” In a follow-up piece, the New York Times (4/1, Cochrane, Sullivan) says that “with growing consensus that the coronavirus pandemic could jumpstart bipartisan efforts to enact a multitrillion-dollar infrastructure plan to create thousands of jobs, the Trump administration and Congress appear to be taking the issue seriously again.”

Despite potential GOP opposition, Politico (4/1, Snyder) reports along similar lines, “there may be enough bipartisan support for an infrastructure package to move it through,” as Trump’s push means “it’s not just Democrats pushing for an infrastructure component to coronavirus aid.” Reuters (4/1, Lambert) recounts that Secretary Mnuchin “told CNBC on Wednesday that...Trump was interested in using road, bridge and other projects to blunt the economic effects of the coronavirus crisis and the administration was having talks about creating an infrastructure plan.”

CNBC (4/1, Javers, Pramuk) reports on its website that Secretary Mnuchin also said on CNBC, “we expect there will be more bills. ... If we need more programs and more money, we will be going back to Congress and asking for that.” However, CNBC also cites “two senior administration officials” who say “the White House is not currently planning for a fourth emergency coronavirus response proposal as it focuses on implementing the unprecedented \$2 trillion relief package passed last week.” One “senior administration official” clarified, however, that while “the White House is not currently working on another relief plan...Trump will ultimately decide whether to move forward with a new bill,” saying, “We are focused on implementing Phase 3, but no staffer can rule out plans for Phase 4.”

CNBC (4/1, Pramuk) also reports on its website that “infrastructure, one of the areas in which Democrats hoped to work with...Trump when he first took office, has jumped to the forefront of Washington’s policy discussions again as the government tries to mitigate the outbreak’s dire human and economic toll.” Pelosi said yesterday “she is ‘pleased the president has returned to his interest’ in the issue,” and “called an infrastructure proposal ‘essential because of the historic nature of the health and economic emergency that we are confronting.’”

The Hill (4/1, Lillis) indicates that “the Democrats’ pitch got a huge boost on Tuesday, when...Trump – who had won the White House on vows to adopt sweeping public works improvements – promoted a \$2 trillion infrastructure package as the next phase of coronavirus response.” The Hill adds that “the central thrust of the emerging legislation...will be an enormous boost in infrastructure funding, designed both to create jobs amid the economic downturn and bolster the nation’s health, transportation, broadband and education systems – networks exposed as woefully insufficient, the Democrats argue, by the swift-moving pandemic.” The Hill says Secretary Mnuchin told CNBC, “We’ll continue to have those conversations, so we expect there will be more bills. And we think it is a great time now to invest in infrastructure.”

Along the same lines, CQ Roll Call (4/1, Wehrman) reports “Democrats have responded to...Trump’s call for a \$2 trillion infrastructure investment in the next coronavirus relief bill by dusting off the five-year, \$760 billion infrastructure plan they introduced in January.” The Washington Examiner (4/1, Ferrechio) reports the Democrats’ legislation “includes many provisions to combat climate change, such as requirements for more electric vehicles and high-speed rail.” Pelosi “told reporters Wednesday the next bill will also address education and housing.”

CQ Roll Call (4/1, McPherson) cautions that “Pelosi’s ambition to have the House return April 20, which would align with the tentative date McConnell has set for the Senate’s return,” but the timetable “does not align with estimates on how long the country will need to quarantine to contain the virus.”

The Washington (DC) Post (4/1, Duncan) and MarketWatch (4/1, Reklaitis) also report.



**Social Security Beneficiaries, Others Who Don't File Taxes Can Still Get Stimulus Checks. (USAT, WP, REU, WSJ, HILL, POLITICO, NYT, NBCNEWS, CNBC, CBSNEWS, FOXB, MRKWTWCH, BIOUP, SJBIZ)**

USA Today (4/1, Collins) reports Social Security recipients and residents who haven't filed taxes over the past two years can receive their one-time stimulus checks, but the IRS "says they will have to take an extra step to get the money." While Americans who filed tax returns in 2018 or 2019 will have their checks sent automatically in the next three weeks, it was reported that those who have not will "need to file a simple tax return to receive one of those payments." The new filing requirement has "raised some objections from some lawmakers," with 41 Senators writing a letter to Secretary Mnuchin arguing the requirement places a "significant burden" on retired seniors and those with disabilities.

However, The Washington Post (4/1, Long) reports the Treasury Department "announced late Wednesday that Social Security beneficiaries who typically do not file a tax return will automatically get the \$1,200 payment." That announcement was "a reversal from earlier in the week when the Internal Revenue Service said everyone would need to file some sort of tax return in order to qualify for the payments. Democrats and some Republicans criticized the IRS for requiring so many extra hurdles for this vulnerable population to get aid when the government already has their information on file." Mnuchin said in a statement, "Social Security recipients who are not typically required to file a tax return need to take no action, and will receive their payment directly to their bank account."

Additional coverage is provided by Reuters (4/2, Beech), The Wall Street Journal (4/1, Rubin), The Hill (4/1, Jagoda), Politico (4/1, Faler), The New York (NY) Times (4/1, Lieber, Rappeport), NBC News (4/2, Kapur, Lederman), CNBC (4/1, Konish), CBS News (4/1, Picchi), Fox Business (4/1, De Lea), and MarketWatch (4/1, Rubin).

***Officials Scramble To Prevent Delay Of \$1,200 Coronavirus Payments.*** The Washington Post (4/1, Romm) reports that while Secretary Mnuchin on Sunday "sounded an optimistic note, pledging at one point that coronavirus support would reach many Americans 'within three weeks,'" US officials are "scrambling to stand up a new system to send coronavirus stimulus checks to millions of Americans, raising fresh fears that technical glitches and mismanagement could undermine a centerpiece of the Trump administration's economic-recovery effort." Companies including Square and PayPal, "which owns the popular app Venmo, have encouraged federal officials to use their cash-swapping services to distribute aid promptly to Americans." However, two sources familiar with the conversations "acknowledged it was unlikely the government could quickly broker such an unprecedented arrangement, which would be a boon for those businesses." The Post also notes federal aides "raised concern about how, exactly, the government could determine the real identity of a person who uses Venmo, Square or another service."

***Fintechs In Talks With Treasury Department Over Distributing Stimulus Checks.*** Biometric Update (4/1, Burt) reports, "Fintechs supporting biometric security like Venmo and Cash App have had talks with the U.S. Treasury Department about using their services to deliver pandemic crisis economic stimulus payments directly to Americans, CNN reports, saying they offer a faster way to deliver the cash and a way to reach people without bank accounts." A "pair of sources from the electronic payments industry told CNN that staff from Square, which owns Cash App, and PayPal, which own Venmo, have held private talks with the U.S. Treasury over the past few weeks." Said one source, "They [the US government] know they need to get this money out the door quickly so I think they are open to quicker methods. ... Last time they were doing this was 2008 and 2009 and the technology didn't exist as it does today." Behind a paywall, Silicon Valley (CA) Business Journal (4/1, Gardner) also reports.

**Mnuchin Says Paycheck Protection Loans Will Be Available Friday. (WT, CNBC, PLAINDLR, WASHEX, NYINTEL, THADV, WP, BLOOM)**



The Washington Times (4/1, Boyer) reports Treasury Secretary Steven Mnuchin “said \$350 billion in grants and Small Business Administration job-retention loans will be available beginning on Friday. The loans can be used for payroll, rent and utilities.” Appearing on CNBC’s Squawk On The Street, Mnuchin said, “This program is going to be up and running on Friday. You can take out a loan for up to eight weeks of payroll, as well as overhead. As long as you hire the people back, the loan is forgiven. It’s a great way to hire people back and make sure you’re getting paid. If you have people at work, this will cover about 50% of the payroll of the private enterprises.” Also providing coverage is CNBC (4/1, Domm) and the Cleveland Plain Dealer (4/1, Eaton).

***Mnuchin Will Ask Congress For More Funding If \$350B Pool For Small Businesses Runs Out.*** CNBC (4/1, Pramuk) reports Secretary Mnuchin “said Wednesday that he will ask Congress for more money to sustain U.S. small businesses during the coronavirus pandemic if the White House doles out all of a new \$350 billion loan pool.” Mnuchin said on CNBC, “One of the things I’ve heard is this small business program is going to be so popular that we’re going to run out of our \$350 billion. If that’s the case, I can assure you that will be top of the list for me to go back to Congress on. It has huge bipartisan support and we want to protect small business.” Also reporting are the Washington Examiner (4/1, Heflin), New York Magazine’s Intelligencer (NY) (4/1, Levitz), and ThinkAdvisor (4/1, Waddell).

***Trump Administration Hurries To Ready Small Business Relief Loans By Friday.*** The Washington Post (4/1, Lynch) reports, “A crush of loan applications could swamp the Trump administration’s effort to speed money to cash-strapped small businesses, complicating hopes of keeping tens of millions of Americans employed during the coronavirus shutdown, according to lenders and analysts.” The Administration is attempting to move quickly in approving so-called “paycheck protection” loans meant to enable small businesses to retain workers while unemployment soars due to the coronavirus shutdown. The program “offers small businesses 100 percent government-guaranteed loans, which will be forgiven if the company retains the workforce it had before the pandemic.” Secretary Mnuchin said the process would be “very, very easy,” and that the first applications can be submitted this Friday.

Bloomberg (4/1, Dorning, Sharpe) reports the “stimulus may not deliver a rescue in time for the many small businesses and families who lack the cash to stay afloat for more than a week or two...Yet it could be weeks more before the business loans, bigger unemployment checks and direct payments to individuals from the stimulus plan flow into the economy.” President Trump has extended social distancing guidelines – which keep many businesses including restaurants, bars, and movie theaters – closed to limit the spread of the coronavirus. About 50,000 retail stores have shut down causing more than 600,000 workers to be laid off.

### **Flights Attendants Ask Mnuchin Not To Take Stake In Airlines. (CNBC, WSJ, POLITICO, REU, BLOOM, FT)**

CNBC (4/1, Josephs) reports labor unions “representing some 94,000 flight attendants, including those at American, United, Spirit and Southwest, told Treasury Secretary Steven Mnuchin in a letter that” requiring airlines to give the federal government an equity stake in exchange for grant “could cost them their jobs.” The letter called the Treasury Department’s request for financial instruments a move that “effectively renders the payroll grants a poison pill that will cost us our jobs and push us onto taxpayer-funded unemployment insurance – the opposite of what this bipartisan agreement intended.” Sara Nelson, president of the Association of Flight Attendants, said, “Much like an education grant, the value is in the student who contributes their learning to society. The value here is a functioning airline industry, no layoffs, and 2 million people who can still pay taxes because they are employed.”

The Wall Street Journal (4/1, Sider) reports the unions sent the letter to Mnuchin asking him not to require that airlines give a stake to the government in exchange for cash grants. The union leaders claimed that requiring the airline to give a stake to the government will lead to job losses. The Treasury



Department on Monday asked airlines requesting cash grants to determine which financial instruments the airlines believe is “appropriate compensation for the government.”

Politico (4/1, Mintz) reports in its Morning Transportation rundown that Regional Airline Association President and CEO Faye Malarkey Black sent a letter to Mnuchin and Transportation Secretary Elaine Chao asking the government not to seek warrants or “other financial instruments” from regional airlines. She wrote, “Since most regional airlines do not have the ability to take on debt, access capital markets, or issue warrants or equity, any condition to do so would render these carriers unable to obtain assistance, and force these carriers to immediately furlough tens of thousands of aviation employees.”

***Democrats Urge Mnuchin Not To Hold Up Grants To Airlines.*** Reuters (4/1, Shepardson) reports House Speaker Nancy Pelosi (CA) called on Secretary Mnuchin to make the \$25 billion in cash available to the airlines as soon as possible. She said, “We do want them to honor what our conversation was, which is this is just a stopping-off point for the check. It goes to the airline and directly to the employee,” adding, “We just don’t want to hold it up.” House Transportation and Infrastructure Committee Chair Peter DeFazio (D-OR) said Mnuchin should choose “something reasonable” for the grants, adding, “If Mnuchin wants to condition those (loans) more, fine – take your pound of flesh. But don’t slow down the payroll assistance, which is what he is in the process of doing right now.” Bloomberg (4/1, Levin, Bachman, Wasson) reports DeFazio said the government isn’t “asking small businesses for warrants,” and if the government seeks warrants equivalent to the payroll of “one major carrier” through September, the government would own 54 percent of the airline. DeFazio said, “I don’t think the airline will pay their people under those conditions.”

***Treasury Selects Banks To Advise On Airline Bailout.*** The Wall Street Journal (4/1, Lombardo, Hoffman) reports the Treasury Department has tapped PJT Partners, Moelis MC & Co., and Parella Weinberg Partners to assist the agency with the airline portion of the stimulus package. The responsibilities will be divided into commercial airlines, cargo airlines, and aerospace firms important to national security. The Journal says the selection of boutique firms that deal advice instead of money reduces the number of conflicts of interest. Reuters (4/2, Spector, Roumeliotis) reports based on the Journal’s coverage. The Financial Times (4/2, Fontanella-Khan, Platt) also reports.

***WSJournal: Treasury Stakes In Airlines Must Be Short-Term Only.*** A Wall Street Journal (4/1) editorial says the coronavirus relief bill passed last week includes some \$50 billion for America’s airlines. The measure also authorizes Treasury Secretary Steven Mnuchin to accept compensation for the federal government and take an equity interest in airlines that receive loans. The Journal expresses concern over a long-term nationalization of the airlines and says the White House should make clear that it will relinquish its stake as soon as possible.

### **Mnuchin: Mortgage Relief Only For Affected Borrowers. (BLOOM)**

Bloomberg (4/1, Dexheimer) reports Treasury Secretary Steven Mnuchin “said only homeowners who have lost their jobs because of the coronavirus crisis will qualify for new government programs that let borrowers put off mortgage payments.” Mnuchin told CNBC on Wednesday, “If people don’t have jobs and people have hardships, they can forbear. If people do have jobs, we expect those people to continue paying mortgages.” CNBC reports, “Regulators including the Federal Housing Finance Agency and Department of Housing and Urban Development also have called for forbearance to be offered. FHFA Director Mark Calabria has said that the new rules are not meant to be a ‘mortgage holiday,’ but are put in place only for borrowers who really need it.”

### **AP Analysis: Mnuchin Emerges As “Biggest Power Broker” In DC. (AP)**



The AP (4/1, Boak, Colvin) reports President Trump “aims to shovel \$2.2 trillion into the U.S. economy over the next few weeks to try to cushion its free fall. But that means putting his fate in the hands of banks, profit-minded businesses and government bureaucrats he has frequently derided, along with a man who has emerged as arguably the biggest power broker to business in Washington: Treasury Secretary Steven Mnuchin.” At the center of the “massive bailout package” is Mnuchin, “a former hedge fund manager and movie producer who helped to write the package and shepherd it through Congress and now has enormous discretion over which industries are most in need and how to dole cash out accordingly.”

## **MAJOR DEPARTMENT MENTIONS**

### **3.3 Million Americans With Missed Child Support Payments Could Be Denied Stimulus Funds. (NBCNEWS)**

NBC News (4/1, Kapur) reports, “An estimated 3.3 million Americans with overdue child support debt could lose cash payments of up to \$1,200 in the new coronavirus stimulus package, which penalizes delinquent parents.” Not all of the 3.3 million “will qualify for money – income thresholds max out at \$99,000 for an individual or \$198,000 for a married couple – but many who are otherwise eligible and might be desperate for cash will see their payments intercepted.”

## **BROADCAST LINKS**

### **Mnuchin: Small Business Relief Program Will Be “Up And Running” By Week’s End. (CNBC)**

In an interview Wednesday on CNBC’s Squawk On The Street (4/1), Treasury Secretary Steven Mnuchin said the relief program for small businesses “is going to be up and running tomorrow. I’m pleased that working with the SBA, we’ll be able to deliver it.” Mnuchin said of the paycheck protection program, “you can take out a loan for up to eight weeks of payroll as well as overhead.” Mnuchin said he “would encourage every small business go to Treasury.gov, there’s a red banner on the top, click on it, you will get the information. And you can go to any SBA lender, you can go to any FDIC Insured Bank and any credit union, call your lender, see if they participate. I very much want people to sign up for this. It’s a great way to hire people back or make sure you’re getting paid if you have people at work. And this will cover about 50% of the payroll of the private enterprises.”

## **POLITICO MORNING MONEY**

**First in Morning Money: Goldman aids small business** — Goldman Sachs this morning plans to announce a \$300 million effort to aid small businesses and communities suffering through the coronavirus crisis. The package includes \$250 million in emergency small business loans, \$25 million in grants to Community Development Financial Institutions and a \$25 million Covid-19 relief fund for hardest-hit communities.

**Per Goldman CEO David Solomon:** “Covid-19 has created an extraordinary global health and economic crisis and the urgency and scope of our actions must reflect this reality. ... We are deploying our capital and expertise to help small businesses navigate the incredible burdens they face, while ensuring that health providers and relief organizations have the funds they need to fulfill their missions.”

Goldman has fairly extensive experience working with small businesses through its “10,000 Small Businesses” program. And a spokesperson described the package as an effort to complement federal efforts aimed at getting loans as quickly as possible to small businesses so they don’t have to lay off staff.

**Speaking of layoffs: Brace for jobless claims** — Biggest economic data point of the week hits at 8:30 a.m. with the weekly jobless claims figures. Consensus on Wall Street has now bumped up above last

week's record-smashing 3.3 million to 3.5 million. If the number stays in that range it would be a (very strange) kind of victory, and perhaps suggest at least a temporary peak in layoffs that could begin to roll back next week.

**But plenty of analysts think the number could be higher**, given the backlog in unprocessed claims and more lockdowns that went into place after last week's data. Pantheon's Ian Shepherdson: "Google Trends data indicate that the average daily number of searches for 'file for unemployment' rose by 60% last week. ... If the relationship between the Google data and the claims numbers is linear ... it implies that claims jumped last week to more than 5M.

"We now reckon that total claims between the March and April payroll survey weeks will be 14-to-18M. Adjusting this total to take account of the five-week interval between the surveys, and assuming that gross hiring was roughly zero, **we reckon that April payrolls will be reported down by about 12-to-16M, on May 8.**"

**MM SIDEBAR** — That would be an absolutely shocking figure. The biggest loss during the financial crisis was 800,000.

### **Driving the Day**

Jobless claims at 8:30 a.m. expected to rise to 3.5M from 3.3M but could go significantly higher ...

### **Coronavirus effects**

**CONFIDENCE DIPS** — Via Morning Consult: "Consumer confidence has fallen by 36% on average over the past five recessions, going back to 1980. The single-day value on March 31, 2020 was 85.02, a 26% fall from the February average.

"Given that we believe we are in or rapidly heading towards a recession, we expect another 12 point fall in confidence and for that fall to be sustained for at least an entire month. If policymakers are unable to mitigate the spillover effects of the economic shutdown, the fall in confidence could increase to 56%, which corresponds to the decrease felt during the Great Recession."

**UGH** — Via S&P: "Following mobility restrictions and closure of large segments of the economy due to COVID-19 and the swift onset of recession, all of S&P Global Ratings' sector outlooks in U.S. public finance are now negative."

**FED LOOSENS CAPITAL REQUIREMENTS** — Our Victoria Guida: "The Federal Reserve announced ... that it would temporarily loosen a backup capital requirement to make it less expensive for banks to hold cash and U.S. government bonds on their balance sheets, amid extremely low rates on Treasury securities and an influx of deposits into large banks."

**INFRASTRUCTURE UPDATE** — Treasury Secretary Steven Mnuchin on CNBC: "The president very much wants to rebuild the country. And with interest rates low, that's something that is very important to him. We've been discussing this for the last year, with the Democrats and the Republicans.

"I've had ongoing conversations with [Ways and Means Chairman] Richie Neal on this. We'll continue to have those conversations. So, we expect there will be more bills. And we think it is a great time now to invest in infrastructure."

**Senate Majority Leader Mitch McConnell**: "What I disagree with the speaker on is she's already saying we need to work on phase four. Well look, the current law has not been in effect for even a week ... may need a phase four, but we're not even fully into phase three."

**WHY IT COULD BE BAD FOR A WHILE** — NYT's Peter Goodman in London: "The world is almost certainly ensnared in a devastating recession delivered by the coronavirus pandemic. Now, fears are growing that the downturn could be far more punishing and long lasting than initially feared ...



“[E]ven after the virus is tamed ... the world that emerges is likely to be choked with trouble, challenging the recovery. Mass joblessness exacts societal costs. Widespread bankruptcy could leave industry in a weakened state, depleted of investment and innovation. Households may remain agitated and risk averse.”

**FLORIDA FINALLY GETS ON BOARD** — Our Matt Dixon: “Florida Gov. Ron DeSantis ... issued a statewide state-at-home order amid growing national scrutiny of his handling of the coronavirus pandemic.

“DeSantis said he made the decision after ... Trump on Tuesday announced the extension of federal guidelines urging Americans to avoid travel and practice social distancing until April 30.”

**CHINA PROVINCE LOCKS DOWN FOR SECOND WAVE** — South China Morning Post’s Guo Rui and Echo Xie: “Henan province in central China has taken the drastic measure of putting a mid-sized county in total lockdown as authorities try to fend off a second coronavirus wave in the midst of a push to revive the economy.”

**TRUMP CONSIDERS UNIVERSAL MASKS** — Our Burgess Everett: “Trump is considering whether to recommend Americans wear face covers when out in public, according to Republican Sen. Pat Toomey, who spoke with the president on Tuesday.”

**JOBLESS SYSTEMS CRASH** — Our Megan Cassella and Katy Murphy: “In Michigan, the state unemployment filing system crashed this week because it was overloaded. In California, it may take much longer than usual for hundreds of thousands of jobless people to get their benefits. In New York, one laid-off worker says she called the state labor department 800 times before getting through.”

**EU AIMS TO 'INTENSIFY' NEGOTIATIONS WITH U.S.** — Our Jakob Hanke Vela in Brussels: “Brussels is seeking to breathe new life into negotiations on a regulatory deal with Washington, by stressing that such a deal could help fight the coronavirus pandemic.

“Under such an agreement, the EU and U.S. would agree to set standards jointly on future technologies, including pharmaceuticals, as well as streamline approvals of machines, medical devices and other products in each other's markets.”

**CALABRIA: VIRUS COULD BE WORSE THAN SUBPRIME MELTDOWN** — Our Katy O'Donnell: “The coronavirus crisis could lead to more delinquencies and foreclosures in some segments of the market than the subprime mortgage meltdown that started in 2007, Federal Housing Finance Agency Director Mark Calabria said ... ‘In some segments of the market, it's certainly possible,’ Calabria said in an interview with CNBC.

“The Federal Housing Administration, which largely serves low- and moderate-income borrowers, will get hit first, Calabria said, calling the FHA portfolio the “canary in the coal mine” for the broader housing market.”

**WHERE ARE THE 27 MILLION TESTS?** — Yahoo’s Rick Newman: “Twenty-six million coronavirus tests have gone missing. Or maybe they never existed to begin with. On March 21, the White House said 27 million coronavirus test kits would be out in the health care system and available to patients by the end of March.

“At the end of March, however, the national total for coronavirus tests was just 1.1 million. Some tests were still in the pipeline, yet mayors and governors have been clamoring for the tests, which are crucial to containing the virus. So what happened to more than 20 million tests?”

## **Markets**

**QUARTER STARTS OFF WITH ANOTHER BIG DROP** — WSJ's Alexander Osipovich, Avantika Chilkoti and Frances Yoon: “Stocks opened the second quarter with a bruising selloff on Wednesday after ... Trump issued a stark warning on the coronavirus pandemic, raising fears about its impact on the U.S. economy.

“The Dow Jones Industrial Average dropped 973.65 points, or 4.4%, to 20943.51, marking its worst-ever first day of a quarter. The S&P 500 fell 114.09, or 4.4%, to close at 2470.50. The Nasdaq Composite slid 339.52, or 4.4%, to close at 7360.58. All three indexes have lost at least one-quarter of their value since closing at record highs in February.”

**END OF THE STOCK/BOND RELATIONSHIP?** — Via MSCI: “The recent drop of stocks and bonds together led to fears that U.S. Treasuries were no longer the safe haven they had been in previous crises — and to fears of a structural break in the markets. Looking beyond a short period of illiquidity, the relationship between bonds and stocks has shown no signs of changing.

“Overall, Treasuries actually provided somewhat more downside protection than suggested by pre-crisis correlations, and the rates-equity correlation was actually even stronger over this period.”

### **Fly Around**

**BIG BANKS LOBBY FOR BAILOUT AID** — Our Zachary Warmbrodt: “Some of the richest firms in the business world — private equity companies and venture capitalists — are lobbying for their piece of the coronavirus bailout.

“Groups representing the firms are urging the Trump administration to let businesses that they own apply for \$350 billion in small business loans that Congress unleashed last week. The lobbying campaign is getting some traction — House Speaker Nancy Pelosi says it's a critical issue for Silicon Valley startups — but it's running into fierce resistance from finance industry watchdogs, who warn it could be a giveaway to wealthy investors.”

**BIDEN FLOATS CONVENTION DELAY** — Our Alex Thompson and David Siders: “The Democratic National Committee is facing rising pressure from officials across the country to delay the party’s July convention in Milwaukee, with the original date — and format — for the mass gathering looking increasingly untenable amid the coronavirus pandemic. ...

“The DNC has been adamant that planning for the convention is continuing on schedule. But Joe Biden, the party’s likely nominee, set off a new round of questions about the convention Tuesday night, when he said on MSNBC, ‘it was hard to envision’ the convention going off as originally planned after the outbreak. Biden added that the convention was originally scheduled to avoid competing for TV coverage with the 2020 Olympics — which have since been postponed.”



**From:** (b)(6)  
**Sent:** Fri, 3 Apr 2020 08:17:33 -0400  
**To:** Undisclosed recipients:  
**Subject:** 04-03-2020 PA Senior Staff Notes  
**Attachments:** 04-03-2020 PA Senior Staff Notes.docx

April 3, 2020

**Public Affairs Notes:**

**This week:**

- **There are no public events to report for the remainder of the week. Updates will be provided as they become available.**

**SECRETARY MENTIONS**

**Mnuchin Says SBA Loan System “Up And Running” By Friday As Banks Warn They Are Unprepared. (REU, POLITICO, NYT, MRKTTWCH, AMBNKR, BLOOM, WSJ, BIZJOUR, FT, CNBC, FOXB, TECHCRCH, AXIOS, FOX)**

Reuters (4/2, Lawder, Schroeder) reports Treasury Secretary Steven Mnuchin “said he was pressing ahead with the Friday launch of a \$349 billion coronavirus rescue loan program for small businesses, after conceding to bank demands to fix aspects of the program that they said could cause participating lenders legal and financial risks.” Mnuchin “told a White House briefing on Thursday that the Treasury and the Small Business Administration had decided to double the interest rate on the loans to 1% from 0.5% previously so that small banks with higher deposit costs don’t lose money.” Mnuchin also “said the SBA application system would be ‘up and running’ on Friday, and encouraged businesses to go to lenders to apply for loans, although he acknowledged not every bank would be in a position to start processing applications.” Mnuchin added, “You get the money, you’ll get it the same day, you use this to pay your workers. Please bring your workers back to work if you’ve let them go.” The Treasury Department and SBA “also on Thursday evening issued new guidance on the program, which is aimed at keeping Main Street businesses from restaurants to nail salons from laying off their employees amid widescale shutdowns.”

Politico (4/2, Warmbrodt) reports Treasury Secretary Steven Mnuchin said at the briefing while standing near Trump, “You’ve made clear to us we now need to execute. We need to get money to small business and American workers, and that’s what we’re doing.” Mnuchin and SBA Administrator Carranza during Thursday’s briefing “conceded that the effort to stand up the program had been a scramble,” as Mnuchin “said their teams worked until 4 a.m. today and went back to work three hours later.” However, “even while Mnuchin pledged that banks would be ready to make the loans Friday, he admitted ‘that doesn’t mean everybody is going to get their loan tomorrow.’”

Meanwhile, Politico (4/2, Warmbrodt) separately reports that banks are “warning that a \$350 billion lending program for struggling small businesses won’t be ready when it launches Friday because the Trump administration has failed to provide them with the necessary guidelines and set requirements for the loans that are unworkable.” According to Politico, the banks “complain that Treasury Secretary Steven Mnuchin boxed them in with an unrealistic deadline and that the ground rules they’ve been given for the program, which is intended to deliver rapid aid to a huge number of ailing businesses, could delay the assistance for weeks or longer.” Politico says “failure to deliver small business aid as promised – one

of the first big rollouts from the legislation – could deal a major blow to public confidence as a crippling recession looms.”

Reuters (4/2, Schroeder, Henry) also reports that at the same time, “thousands of U.S. banks, including some of the country’s largest lenders, have said they may not participate in the federal government’s small-business rescue program due to concerns about taking on too much legal and financial risk.” According to Reuters, “Representatives of some major lenders, as well as thousands of community lenders, have expressed serious reservations about participating in the scheme in its current form and called that deadline totally unrealistic.” Reuters says the banks’ “main concern is that the Treasury Department said on Tuesday that lenders will be responsible for preventing fraudulent claims by verifying borrower eligibility, which is determined by a few measures including the borrower’s number of employees and its average monthly payroll costs.”

Separately, Reuters (4/2, Marshall) reports JPMorgan Chase “emailed many small business customers on Thursday to tell them it is still awaiting federal guidance on the small business loans program Congress approved last week, and it may not be ready to accept applications when the program launches on Friday.” The bank said, “Financial institutions like ours are still awaiting guidance from the SBA and the U.S. Treasury. As a result, Chase will most likely not be able to start accepting applications on Friday, April 3rd, as we had hoped.”

The New York Times (4/2, Cowley) reports banks and other lenders are “still waiting for much of the information they need to participate” in the program and “are also nervous about how they – and the government – will handle what is expected to be a huge crush of demand.” The program “offers companies and nonprofits with up to 500 workers a low-interest loan to cover up to two months of payroll and other expenses.” The Times reports Treasury and the Small Business Administration on Tuesday “released an overview for borrowers and a sample loan application.” Secretary Mnuchin said in a White House briefing Thursday that the program “will be up and running tomorrow.” Mnuchin “added that loan checks could be disbursed ‘the same day’ that borrowers applied.” The Times says the Independent Community Bankers of America “sent a letter to Mr. Mnuchin on Wednesday complaining that guidelines calling for low-interest loans could mean ‘unacceptable losses’ for lenders.”

MarketWatch (4/2, Wiltermuth) reports banks are “grappling” with the details of the program, noting that “administration officials have said they want to get aid in the hands of small businesses within days of Friday’s planned rollout.” However, “efforts to quickly get working capital out to small businesses, which in turn aims to staunch already skyrocketing unemployment, are being complicated by what some lenders have criticized as a chaotic process.” Secretary Mnuchin, asked at the briefing about the criticism, “said he was confident the program was ready to start Friday.” Mnuchin said, “I’ve been assured the banks will be in the process starting tomorrow.”

American Banker (4/2) reports lenders “are raising concerns about the emergency loan program for businesses hurt by the coronavirus outbreak, saying on the eve of its launch that parts of the program are unclear and onerous. The Paycheck Protection Program, run by the Small Business Administration and the Treasury Department, was set to roll out Friday.” However, banks “are especially worried about several of the program’s restrictions, including a 0.5% rate cap on the loans and a two-year amortization schedule that will likely increase a borrower’s payments.”

***SBA Doubles Small Business Loan Interest Rate To One Percent.*** Bloomberg (4/2, Niquette, Sasso) reports the SBA “has bumped up to 1% the interest rate lenders may charge small businesses under a \$350 billion U.S. relief program after lenders complained that the previous approved rate of 0.5% was below even their own cost of funds.” Secretary Mnuchin and Administrator Carranza “released additional guidelines for the program just a few hours before it is expected to become widely available Friday.”

The New York Times (4/2) also reports “banks and other lenders that are expected to make the loans warned that the relief effort, known as the paycheck protection program, was going to have a rocky start. Late on Thursday, they were still waiting for critical technical guidance about how to make the loans, and



pushing back on terms they warned were onerous.” The Times says lenders “appear to have won one concession” from Secretary Mnuchin, who “said the interest rates paid by borrowers on the loans would be increased to 1 percent from 0.5 percent after banks protested that they would lose money servicing the loans unless the rate was raised.” Mnuchin also “said borrowers would be able to apply for the loans and receive them quickly: ‘You get the money, you get it the same day.’” However, “industry executives said there was virtually no chance of that happening on Friday. Even as Mr. Mnuchin was speaking, lenders still had ‘nothing’ in the way of guidance on critical loan issues, said Tony Wilkinson, the chief executive of the National Association of Government Guaranteed Lenders, an industry trade group.”

The Wall Street Journal (4/2, Simon, Rudegeair, Omeokwe) reports that as lenders prepare to manage a wave of prospective borrowers, many are hoping for more information regarding due diligence requirements for borrowers and whether these loans will be able to be sold to facilitate liquidity. In the meantime, the Administration said that it is working to make certain that the SBA’s systems will be able to manage the surge in volume. A senior Administration official told reporters on Tuesday that a “supplementary system” will serve as a “backup and an add-on.” Secretary Mnuchin said Thursday the interest rate will be raised to 1% at community banks’ request.

Also reporting are the Business Journals (4/2), the Financial Times (4/2, Noonan, Politi, Greeley), CNBC (4/2, Son, Giel), and Fox Business (4/2, De Lea).

***FinTech Startups Angle For Seat At COVID-19 Small Business Lending Table.*** Behind a partial paywall, TechCrunch (4/2, Shieber) reports fintech startups are also “angling to get a seat at the table when it comes to distributing” CARES Act money. Innovative Lending Platform Association head Scott Stewart is quoted: “In the last crisis, banks stepped away from the kinds of lending that our members do. The bank process [for lending] is quite lengthy. Our members are underwriting loans using algorithms at speed and scale.” Stewart added, “The Treasury Department and the SBA have the authority and have been instructed in the legislation to allow us into the room. We will have to go through some sort of process to become qualified non-bank lenders.”

***Private Equity Firms Get Bipartisan Support For Affiliation Rules Waiver.*** Axios (4/2, Primack) reports, “Private equity and venture capital investors now have high-powered bipartisan support in their efforts to expand the types of small businesses eligible for” the Paycheck Protection Program. “House Speaker Nancy Pelosi and House Minority Leader Kevin McCarthy, who rarely agree on anything except for the grandeur of California, both want the so-called ‘affiliation rules’ waived.” The piece explains that the affiliation rule “excludes most small businesses from qualifying as small businesses if they are owned by a private equity firm – by ‘affiliating’ all of the company’s employees with those of the private equity firm’s other portfolio companies.” Axios says House Minority Leader Kevin McCarthy (R-CA) “told the Axios Pro Rata Podcast on Thursday: ‘I just got off the phone with Treasury Secretary Mnuchin and this is going to be solved.’”

MarketWatch (4/2, Matthews) reports the CARES Act sets the stage “for a debate over just which kinds of companies should be eligible for generous government loans. The private-equity business will take center stage in this debate, with industry groups lobbying the Trump administration to amend rules that typically bar small businesses controlled by large entities from receiving loans from the Small Business Administration.” Bloomberg (4/2, Newcomer) and Fox News (4/2, Rambaran) also report.

**Treasury, IRS Officials Expect To Start Sending Stimulus Payments Week Of April 13.**  
**(POLITICO, WP, WASHEX, CNN, AP, ABCNEWS, BLOOM, VANFAIR, NPR, USAT, HILL, CALLER, FOX, NSWK)**

Politico (4/2, Lorenzo) reports Treasury Department and IRS officials have told the House Ways and Means Committee that the IRS “expects to start sending an initial wave of economic stimulus payments, worth up to \$1,200 apiece, to some 60 million Americans the week of April 13.” While taxpayers “in the first wave have direct deposit information on file with the IRS from their 2018 or 2019 tax returns,” it



“could take as many as five weeks for the payments to land in the mailboxes of people who have to be paid by check.” Paper checks “would start going out in May to people who don’t have direct deposit information on file with the IRS, which includes nearly 100 million Americans. About 5 million checks will be sent weekly, and it could take up to 20 weeks to distribute all of them.”

The Washington Post (4/2, Rein) says Treasury Secretary Steven Mnuchin, during a White House briefing Thursday, “said these eligible Americans will receive the money within two weeks.” Mnuchin said, “If we if have your [bank] information you’ll get it within two weeks. Social Security, you’ll get it very quickly after that. If we don’t have your information you’ll have a simple web portal, we’ll upload it. If we don’t have that, we’ll send you checks in the mail.” Mnuchin added, “In this environment, we don’t want to send checks and we want to put money directly into [taxpayers’] accounts.”

The Washington Examiner (4/2, Yilek) reports that Treasury Secretary Mnuchin “took a shot at former President Barack Obama in defending the Trump administration’s efforts to send checks during the coronavirus pandemic.” During Thursday’s White House coronavirus task force briefing, Mnuchin said “that the administration would send out the tax rebates authorized by the \$2.3 trillion pandemic relief package in a matter of weeks, not up to five months, as some reports alleged.” Mnuchin said, “Let me be clear. I don’t know where you’re hearing these things. I told you this would be three weeks. I’m now committing to two weeks. We’re delivering on our commitments. The IRS, which I oversee, within two weeks, the first money will be in people’s accounts. ... Let me just say [that] when Obama sent out these checks, it took months and months and months. I am assuring the American public. They need the money now.”

#### ***Some Consumers May Not Receive Coronavirus Stimulus Checks For Up To 20 Weeks, IRS Says.***

CNN (4/2, Raju, Fox) reports that consumers “likely won’t begin to see direct payments from the coronavirus stimulus bill until at least April 13 and it could take 20 weeks for all the checks to be mailed, Trump administration officials told lawmakers, according to a House Democratic memo obtained by CNN.” This “timeline means tens of millions of Americans will have to wait to get badly needed assistance, despite repeated suggestions from Treasury Secretary Steven Mnuchin that the money would go out as soon as April 6.” Mnuchin “said at Thursday’s White House coronavirus briefing that payments would go out within two weeks to people whose direct deposit details are on file with the government, echoing comments he made this past Sunday after passage of the \$2.2 trillion stimulus bill that payments would not go out until mid-April.”

The Washington Post (4/2, Newmyer) reports in its daily “The Finance 202” rundown that Secretary Mnuchin “has pledged most will receive payments within three weeks. And indeed, the IRS will directly deposit cash for taxpayers with bank account information on file with the agency.” However, “that will leave about 70 million Americans – the so-called unbanked and underbanked – waiting potentially much longer for their own share, according to an estimate by Aaron Klein, a former Treasury official now at the Brookings Institution.”

The Associated Press (4/2, Daly), ABC News (4/2, Siegel), Bloomberg (4/2, Sink, Parker), Vanity Fair (4/2, Levin), NPR (4/2, Snell), USA Today (4/2, Hayes), The Hill (4/2, Jagoda), Daily Caller (4/2, Hagstrom), Fox News (4/2, O’Reilly), and Newsweek (4/2, Rodriguez) also report.

#### **Despite Airline Industry Bailout, Carriers Are Shrinking Their Workforce. (MYAJC, CQRC, BLOOM, ECO, FOXB, HILL, REU)**

The Atlanta Journal-Constitution (4/2, Yamanouchi) reports that the “federal airline industry bailout is aimed at preventing carriers from cutting jobs and pay,” but the bailout “hasn’t stopped...Delta Air Lines and other carriers from already shrinking their workforces and announcing plans to slash hours and pay in recent weeks,” with the possibility of “more such cuts in the coming months.” Contract workers, who make up “a large and growing portion of the U.S. airline industry’s labor force” appear “particularly vulnerable amid fewer job protections than employees as carriers look to axe costs amid a plunge in air



travel because of the coronavirus pandemic.” Delta Air Lines has “used tens of thousands of contract workers to help run its operations, from checking in passengers and handling bags at some airports to assisting passengers in wheelchairs, operating Delta Connection flights and providing technical support.” Those contract workers “may not be protected in a Delta bailout because they are not in-house Delta employees.”

CQ Roll Call (4/2, Wehrman) reports, “Treasury Secretary Steven Mnuchin has consistently argued that help for airlines should come with strings.” The \$25 billion in “loans for passenger airlines, too, come with restrictions, he said.” But, “labor groups representing airline workers say they’re determined to stop the grant restrictions.” In a letter to Mnuchin on Wednesday, “representatives of the Association of Flight Attendants...the Association of Professional Flight Attendants, which represents American Airline Flight Attendants, and the Transport Workers Union of America 556, which represents Southwest, wrote that the provision ‘threatens whether workers will ever see the promised relief.’”

***Mnuchin: Per CARES Act Language, I Will Determine “Proper Compensation” For Airlines To Prevent Bailouts.*** Bloomberg (4/2, Sink, Parker, Mohsin) reports the Treasury Department “has retained several Wall Street banks to assist with loans to three industries during the coronavirus crisis.” Secretary Mnuchin said Thursday that PJT Partners, Moelis & Co, and Perella Weinberg Partners will handle the loans for, respectively, airlines, the cargo industry, and companies involved with national security. Mnuchin said the banks would not receive “big fees” for the banks. Mnuchin also “reiterated that airlines would not be receiving bailouts,” saying: “There is a specific line in the bill that says the secretary – meaning me – will determine proper compensation so that this is not a bailout for the airlines. I will be working, once we get our advice from our financial advisers, we get the applications from the airlines, I’ll be working very closely with the president, and we’ll make sure that we strike the right balance.” The Economist (4/3) and Fox Business (4/2, O’Halloran) also report.

***Flight Attendants’ Union Leader: Mnuchin Must Give Money Directly To Workers Instead Of Acting To “Effectively Control Aviation.”*** The Hill (4/2) reports Association of Flight Attendants international president Sara Nelson “said in a Thursday interview with Hill. TV that coronavirus relief passed by Congress must go directly to workers impacted by the pandemic as opposed to being leveraged by Treasury Secretary Steven Mnuchin.” Nelson “said Mnuchin was seeking to add warrants to the grants in the relief package passed by Congress in March, which she had said on Twitter would mean Mnuchin would ‘effectively control aviation.’ It would ‘turn the grant into a loan.’” Nelson said, “A grant of money directly to the workers, for the workers, to give us financial stability at this time, to give us the ability to take care of the sick and vulnerable, is at risk because the Treasury secretary has the ability and has been saying that he is going to use this instrument against the airlines, which will make it too onerous to take, and if that happens, the only option for the airlines is to file for bankruptcy.” Nelson added, “The people that Steve Mnuchin has called in to help him with this application process are investment bankers from Wall Street, and he is sending the signal that these are the people who every single day bet on people failing on Wall Street... that’s who he has in his office right now and he’s putting the airlines through an incredibly onerous application process to make this provision not work.” Nelson also “accused Mnuchin of using the provision to slow the application process, adding that there were elements in the Trump administration seeking to ‘make money off of chaos and people hurting.’”

***Southwest Airlines To Apply For U.S. Government Aid As Demand Craters*** Reuters (4/2, Rucinski) reports Southwest Airlines “said on Thursday it intends to apply for U.S. government aid to help it ride out the sharp drop in travel demand caused by the massive lockdowns because of the coronavirus pandemic.” Southwest CEO Gary Kelly said in a video message, “We still don’t know the severity of this situation. We still don’t know how long it will last.” According to Reuters, “The grants are meant to protect jobs for the next six months and help airlines weather the downturn until demand begins to recover.” The other major US carriers have also “said they intend to apply for the grants, though the



industry has pushed back on a condition that allows the U.S. Treasury to demand warrants or equity in exchange for the cash.”

**Pelosi Establishes Committee To Oversee \$2 Trillion In Emergency Spending. (WP, POLITICO, CNN, NYT, WSJ, FOX, USAT, NPR, USNEWS, HILL, CQRC, REU, BLOOM)**

The Washington Post (4/2, Werner, Kane) reports House Speaker Nancy Pelosi “announced the creation of a new select committee Thursday with subpoena powers to scrutinize the Trump administration’s response to the coronavirus pandemic, and its management of the new \$2 trillion economic rescue law.” Pelosi’s announcement “comes amid growing clashes between congressional Democrats and the Trump administration about oversight of the new rescue legislation and a \$500 billion fund controlled by the Treasury Department.” Treasury Secretary Steven Mnuchin “said he viewed the new committee as unnecessary, given layers of oversight already built into the rescue legislation.” Mnuchin said, “Both parties wanted us to have oversight, wanted us to have transparency. We have full transparency.”

Politico (4/2, Caygle, Cheney, Zanona) reports that Pelosi said the committee “would not only oversee the three bills Congress has passed so far to address the pandemic but also any future legislation related to the virus.” Politico points out that Pelosi “has been pushing to move ahead quickly with a fourth coronavirus response package, an idea she again pitched Thursday, noting the record high 6.6 million-plus unemployment claims reported earlier in the day.” House Majority Whip Jim Clyburn (D-SC) will chair the committee.

CNN (4/2, Foran, Byrd, Raju) reports Pelosi said the bipartisan committee, which will be chaired by Majority Whip Jim Clyburn, will focus “on ‘the here and now,’ not the Trump administration’s initial response to the pandemic, though she said there will come a time when such a review will be appropriate.” Pelosi “said the committee will be able to exercise oversight and would have the authority to issue subpoenas.”

Among other media outlets providing coverage are the New York Times (4/2, Stolberg, Fandos), the Wall Street Journal (4/2, Andrews), Fox News (4/2, Schultz), USA Today (4/2, Behrmann), NPR (4/2, Snell), U.S. News & World Report (4/2, Hagen), The Hill (4/2, Lillis), and CQ Roll Call (4/2, McPherson, Marquette).

***Pelosi Says Infrastructure Talks With Mnuchin Are Ongoing Despite Senate GOP Reticence.***

Reuters (4/2, Cornwell, Chiacu, Zengerle) says Pelosi also told reporters today that the Trump Administration is “‘more inclined to be supportive’ than Senate Republican leaders of her push for infrastructure spending as part of a fourth major bill in response to the coronavirus crisis.” Pelosi also “said she spoke with Treasury Secretary Steven Mnuchin on Wednesday about tax matters, but ‘they know that I want to go forward’ on infrastructure spending.”

Bloomberg (4/2, House, Wasson) reports Pelosi “said talks between Treasury Secretary Steven Mnuchin and Ways and Means Chairman Richard Neal on funding for infrastructure are accelerating.” Pelosi “told reporters Thursday that she spoke with Mnuchin the previous night about implementing last week’s coronavirus stimulus bill quickly and looking ahead to the next legislation, which could include infrastructure spending.” Pelosi added, “Whatever communication we need to move forward, that will be happening.”

**Mnuchin: Energy Companies Hit By Oil Price War Can Use Fed Lending Facilities. (BLOOM, HILL, POLITICO)**

Bloomberg (4/2, Mohsin) reports Treasury Secretary Steven Mnuchin, during a White House briefing Thursday, “said energy companies squeezed by the oil-price war can turn to the Federal Reserve’s lending facilities for aid but won’t get direct loans from his department.” Mnuchin said, “I have very limited ability to do direct loans out of the Treasury,” adding, “Our expectation is the energy companies, like all our other companies, will be able to participate in broad-based facilities, whether it’s the corporate facility or whether it’s the main street facility, but not direct lending out of the Treasury.”



***Murkowski Presses Mnuchin On Federal Loans For Oil Companies.*** The Hill (4/2, Beitsch) reports Senate Energy and Natural Resources Chairwoman Lisa Murkowski (R-AK) “sent a letter to Treasury Secretary Steven Mnuchin asking him to ensure that U.S. oil and gas companies can get federal loans provided for businesses in the coronavirus stimulus package.” Murkowski wrote, “There is no question that one of the hardest hit industries – and one of the most critical to Alaska – is the oil and gas sector. Producing companies and the businesses that contract with them are being impacted not only by the market demand shock from the coronavirus, but also the Russia-Saudi Arabia power struggle against American energy.” Politico (4/2, Lefebvre) also reports.

**Analysts Say Mnuchin Should Ramp Up Sale Of Treasury Bills To Speed Up Stimulus. (BLOOM)**

In an analysis, Bloomberg (4/2, McCormick, Harris) reports, “Get ready for the U.S. government to issue more short-term debt. A lot more.” While Treasury Secretary Steven Mnuchin “long talked up the idea of selling ultra long-term bonds, most agree the money from the \$2 trillion coronavirus relief package needs to get into the hands of Americans fast. And the best way to do that, analysts say, is to keep it simple and ramp up sales of T-bills.” Bloomberg says the “reasons are clear. For starters, investors have been practically screaming for more T-bills, and little of anything else. They pushed bill rates below 0% in the open market as demand for money funds that invest in short-term U.S. debt soared to a record. Then there’s the fact that unlike longer-term Treasuries, which the government prefers to issue on a pre-set schedule, T-bills can be sold at just about any time. There are also few worries about liquidity, which can’t be said for 50-year bonds.” Therefore, “except for perhaps a bruised ego, Mnuchin has almost nothing to lose by going big with T-bills.”

**Restrictions On Companies Getting Bailouts Unlikely To Apply To Big Corporations Getting Fed Assistance. (POLITICO)**

Politico (4/2, Grunwald) reports, “Most big companies that take advantage of the \$500 billion corporate bailout in last week’s coronavirus relief bill are unlikely to face restrictions against firing workers or giving bonuses to executives.” Politico says that while Democrats “have boasted about the strict conditions they negotiated to make sure the CARES Act’s massive corporate-aid package benefits employees rather than their bosses,” \$454 billion “for larger firms will flow through Federal Reserve lending programs, and people close to the Fed say its top officials don’t think they’re required to force companies that get the money to keep workers on their payrolls, limit executive compensation or forgo stock buybacks or dividends. ‘Congress left a lot of discretion, a lot more than people realize,’ one former Fed official said.” The bill “did insert one provision with a sweeping list of restrictions on bailed-out companies,” but “that provision only directs Treasury Secretary Steven Mnuchin to ‘endeavor to’ set up a program with those specifications, and insiders suggest the Fed doesn’t feel bound by them. And while the CARES Act does seem to limit companies that receive direct loans through Fed programs from buying back stock, paying dividends, or raising executive pay for a year, it allows Mnuchin to waive those provisions as long as he explains his rationale to Congress.”

**WPost Analysis: “Trump Sows Uncertainty And Seeks To Cast Blame.” (WP, HILL)**

The Washington Post (4/2, Rucker, Costa) writes under the headline “Commander Of Confusion: Trump Sows Uncertainty And Seeks To Cast Blame In Coronavirus Crisis” that “as Trump has sought to remake his public image from that of a skeptic of the pandemic’s danger to a savior forestalling catastrophe and protecting hundreds of thousands of people from a vicious contagion, he also has distorted the truth, making edits and creating illusions at many turns. ... The result is chaotic.” Trump “has given confusing signals about what he prioritizes in economic stimulus packages, which has left him somewhat isolated from congressional leaders as Treasury Secretary Steven Mnuchin takes the lead crafting policies.”

***Biden Hits Trump For COVID-19 Response, Mnuchin For Calling Unemployment Numbers “Not Relevant.”*** The Hill (4/2, Stanage) reports former Vice President Joe Biden, in a statement Thursday, “hit Trump for ‘failing to prepare our nation’ for the ramifications of the coronavirus crisis.” Biden “called on

Trump to allow open enrollment in the Affordable Care Act and also jabbed at Treasury Secretary Steven Mnuchin for having referred to previous unemployment figures as ‘not relevant.’” Trump campaign communications director Tim Murtaugh “blasted back at Biden for ‘ineffectively sniping from the sidelines, stumbling through television interviews, and hoping for relevance and political gain.’”

## **POLITICO MORNING MONEY**

**Trump’s vaporized economy** — The March jobs report out this morning is not expected to show anything close to the full hit so far from the coronavirus. The survey covered the week of March 12, before many of the lockdown orders shuttered much of the U.S. economy. Consensus is for a loss of 100K, ending a record run of 113 straight months with job gains.

**But we know the number of job losses is actually far more massive** given we’ve seen 10 million jobless claims over just the last two weeks, obliterating previous records and suggesting the unemployment rate is already close to 10 percent, matching the highest point of the Great Recession. It will almost certainly go significantly higher, possibly above the 24.9 percent hit during the Great Depression.

Economic growth is also dropping off a cliff with estimates for a first quarter decline of around 4 percent and a second quarter plunge of 25 percent or more. Stocks have crashed around 30 percent since setting record highs in February. Oil prices are tanking, which means cheap gas but also a massive hit to the energy sector, slamming red states the hardest.

**All of this means the fundamental pillars of Donald Trump’s presidency** — a hot economy, strong job growth and a rocking stock market — have all been smashed to splinters by the coronavirus. The outbreak was obviously not Trump’s fault — though some criticize the speed of the administration’s response.

But that does not change the stark reality that all the job gains on Trump’s watch are now gone. The impact of his chief legislative achievement — a big tax cut bill focused on corporations — is now nonexistent.

And Trump will head into reelection as the economy struggles to dig out of a deep recession that some economists fear could become a depression. The pieces are in place for Trump to wind up like Herbert Hoover, who saw his presidency destroyed by the Depression and his response to it.

**There are other possible outcomes, of course.** If efforts to restrain the growth of the virus succeed and if an effective vaccine is discovered sooner than expected, then perhaps the economy can recover faster than many expect. The Trump administration, Congress and the Fed also moved relatively quickly to pump trillions of dollars into the economy to try and stem the flood of layoffs and push money into the pockets of millions of Americans.

The president is nothing if not a master of reframing the narrative in any way he deems helpful. And early positive poll numbers for his handling of the virus — though now fading — suggest there is at least the possibility that he could campaign as the president who beat back the virus and got the economy moving forward again after taking such a massive punch to the face. But that requires an awful lot of things to go remarkably — if not impossibly — right.

## **Driving the Day**

March jobs report at 8:30 a.m. expected to show a loss of 100,000 jobs and unemployment rising to 3.8% from 3.5%. Neither will really tell us anything about the real state of the jobs market ... Trump meets with oil executives at the White House ... House Speaker Nancy Pelosi joins Jim Cramer on CNBC’s Squawk on the Street at approximately 9:35 a.m.



**Moody's Mark Zandi emails his jobs day predictions:** "Employment fell by 50,000 jobs in March and unemployment increased to 3.8%, as Covid-19 first began to take its economic toll early in the month when the BLS conducted its survey.

"Given the close to 10 million initial claims for unemployment insurance since the BLS survey, the economy will lose closer to 15 million jobs in next month's report for April. The economic damage is due to the business shutdowns across the country necessary to contain the virus. GDP is over one-fourth lower today as a result of the impact of the fallout."

**THE VIRUS AND THE DAMAGE DONE** — Our Rebecca Rainey and Nolan D. McCaskill: "Unemployment claims soared to a record-smashing 6.6 million last week, the Labor Department reported, more than double the previous week, signaling more economic pain from the coronavirus pandemic.

"The rush to claim unemployment benefits occurred as the number of people testing positive for the coronavirus rose above 200,000 and government measures to contain the epidemic shut down increasing swaths of the U.S. economy, with residents in 37 states now ordered to stay at home."

**Our Playbook colleagues** noted that some of the biggest hits represent the core of the electorate that will decide our next president: Pennsylvania, which has 362,012 new unemployment claims, and Ohio, with 189,263 new claims.

**GOOGLE TELLS THE TALE** — Via SEMrush, a data analytics company found that between February 20 and March 20, 2020 searches for "unemployment" grew by 400% and "recession" by 376%. ... Since March 14, there has been a 900% increase in search volume for "What do I do if I get fired"

HPS has a cool graphic showing why Friday's jobs report won't tell us that much.

**Via ING:** "US initial jobless claims have now risen nearly 10 million over the past two weeks. This is on its own could push the April unemployment rate up to 9.5%, but with more job losses likely in coming weeks, it will end up even higher"

**Pantheon's Ian Shepherdson on jobless claims:** "In one line: No words for this."

**IHS Markit on growth:** "Core orders and shipments were little revised through February, while inventories were somewhat weaker than expected through February. As a result, we lowered our tracking forecast of first-quarter GDP growth by 0.1 percentage point to -3.6%, while we left our tracking forecast of second-quarter GDP growth unchanged at -26.5%"

#### **Coronavirus effects**

**BANKS WARN ON LENDING PROGRAM** — Our Zachary Warmbrodt: "Banks are warning that a \$350 billion lending program for struggling small businesses won't be ready when it launches Friday because the Trump administration has failed to provide them with the necessary guidelines and set requirements for the loans that are unworkable.

"The lenders complain that Treasury Secretary Steven Mnuchin boxed them in with an unrealistic deadline and that the ground rules they've been given for the program, which is intended to deliver rapid aid to a huge number of ailing businesses, could delay the assistance for weeks or longer."

**MM SIDEBAR** — Trump as his presser promised the Paycheck Protection Program would be open for business today. We'll see. Treasury Secretary Mnuchin said the government would bump the interest rate to 1.0% (paid by the government) rather than 0.5% to make it more economically feasible for banks to service the federally guaranteed loans.

Mnuchin also announced that Wall Street firms PJT Partners would work on the passenger airline rescue, Moelis & Co. the cargo planes and contractors and Perella Weinberg the national security portion.

Here is more from Zach on Trump's promises even as banks like JPMorganChase said they likely won't be prepared to offer the loans by tomorrow. And more from Zach on "new guidelines [the administration] said ... will streamline loan processing requirements for banks."

**HOW BAILOUT CASH COULD GET (MIS)USED** — Our Michael Grunwald: "Most big companies that take advantage of the \$500 billion corporate bailout in last week's coronavirus relief bill are unlikely to face restrictions against firing workers or giving bonuses to executives, according to officials familiar with the program."

"[T]he bipartisan legislation that President Trump signed Friday did attach tight strings to the \$46 billion the Treasury Department will dispense to airlines and firms it deems vital to national security. But the other \$454 billion in the law for larger firms will flow through Federal Reserve lending programs, and people close to the Fed say its top officials don't think they're required to force companies that get the money to keep workers on their payrolls, limit executive compensation or forgo stock buybacks or dividends."

**TRUMP TAKES A HIT?** — Forbes "reports ... that President's Trump's net worth has plunged \$1 billion in less than a month. As of March 1, Forbes valued President Donald Trump's net worth at \$3.1 billion. The markets took a turn and reporters went back to work to approximate how much the coronavirus affected the president's fortune. Trump's newly estimated fortune is now \$2.1 billion."

**HURRY UP AND WAIT** — Our Aaron Lorenzo: "The IRS expects to start sending an initial wave of economic stimulus payments, worth up to \$1,200 apiece, to some 60 million Americans the week of April 13, Treasury Department and IRS officials have told the House Ways and Means Committee. But it could take as many as five weeks for the payments to land in the mailboxes of people who have to be paid by check."

## **Markets**

**WALL STREET RISES FOR FIRST TIME IN THREE DAYS** — AP's Stan Choe, Damian Troise and Alex Veiga: "Wall Street rallied Thursday for its first gain in three days after a sudden surge in oil prices revived beaten-down energy stocks. But, as has so often been the case in this year's market sell-off, it took a few U-turns to get there."

**PREDICTIONS FOR THE CORONAVIRUS STOCK MARKET** — NYT's Robert J. Shiller: "One prediction seems solid: The coronavirus epidemic will get much worse in the United States in coming weeks. But where the stock market is heading is much less certain."

**S&P 500 DIVIDED CUTS ADDING UP FASTER THAN ANY OTHER TIME SINCE 2009** — Bloomberg's Andres Guerra Luz: "U.S. companies are expected to slash dividends at a rate not seen since the global financial crisis."

## **Fly Around**

**TRUMP CALLS ON RUSSIA/SAUDI TO CUT OIL PRODUCTION** — Our Ben Lefebvre: "Trump tweeted on Thursday that Saudi Arabia and Russia appeared to be close to curbing their oil production, a potential lifeline for the U.S. oil sector that has been buffeted by plummeting energy demand from the coronavirus and a flood of crude exports from the two countries. ..."

"Trump's statement extended a rally in oil prices Thursday morning, adding about \$5 to the earlier gains and lifting prices on the U.S. futures market briefly above \$27 a barrel. Saudi Arabia, in its own message, was more circumspect, only saying it sought a meeting of OPEC and other countries to discuss 'a desired balance to the oil market.'"

**FED'S KAPLAN: MORE FISCAL STIMULUS APPEARS NECESSARY** — WSJ's Michael S. Derby: "While acknowledging that ultimately it wasn't the central bank's call, Dallas Fed leader Robert



Kaplan said Thursday elected leaders probably would need to provide more stimulus to the economy to help it navigate the coronavirus crisis.

**MORTGAGE DEFAULTS COULD PILE UP IN A BIG WAY** — Bloomberg’s Prashant Gopal and John Gittelsohn: “Mortgage lenders are preparing for the biggest wave of delinquencies in history. If the plan to buy time works, they may avert an even worse crisis: Mass foreclosures and mortgage market mayhem.”

**JPMORGAN CEO BACK TO WORK AFTER SURGERY** — WSJ’s David Benoit: “JPMorgan Chase & Co. Chief Executive James Dimon returned to work this week, a month after undergoing emergency heart surgery.

“In a memo to employees, Mr. Dimon thanked Co-Presidents Daniel Pinto and Gordon Smith for running the bank in his absence. He is working remotely, along with most of the bank’s executives, as the coronavirus pandemic sweeps through New York City. ‘I have been recuperating well and getting stronger every day,’ he said.”

**TRANSITION** — Brian McGuire is returning to Brownstein Hyatt Farber Schreck after a stint as the top legislative affairs official at Treasury.

April 3, 2020

## Public Affairs Notes:

### This week:

- There are no public events to report for the remainder of the week. Updates will be provided as they become available.

### SECRETARY MENTIONS

#### **Mnuchin Says SBA Loan System “Up And Running” By Friday As Banks Warn They Are Unprepared. (REU, POLITICO, NYT, MRKTTWCH, AMBNKR, BLOOM, WSJ, BIZJOUR, FT, CNBC, FOXB, TECHCRCH, AXIOS, FOX)**

Reuters (4/2, Lawder, Schroeder) reports Treasury Secretary Steven Mnuchin “said he was pressing ahead with the Friday launch of a \$349 billion coronavirus rescue loan program for small businesses, after conceding to bank demands to fix aspects of the program that they said could cause participating lenders legal and financial risks.” Mnuchin “told a White House briefing on Thursday that the Treasury and the Small Business Administration had decided to double the interest rate on the loans to 1% from 0.5% previously so that small banks with higher deposit costs don’t lose money.” Mnuchin also “said the SBA application system would be ‘up and running’ on Friday, and encouraged businesses to go to lenders to apply for loans, although he acknowledged not every bank would be in a position to start processing applications.” Mnuchin added, “You get the money, you’ll get it the same day, you use this to pay your workers. Please bring your workers back to work if you’ve let them go.” The Treasury Department and SBA “also on Thursday evening issued new guidance on the program, which is aimed at keeping Main Street businesses from restaurants to nail salons from laying off their employees amid widescale shutdowns.”

Politico (4/2, Warmbrodt) reports Treasury Secretary Steven Mnuchin said at the briefing while standing near Trump, “You’ve made clear to us we now need to execute. We need to get money to small business and American workers, and that’s what we’re doing.” Mnuchin and SBA Administrator Carranza during Thursday’s briefing “conceded that the effort to stand up the program had been a scramble,” as Mnuchin “said their teams worked until 4 a.m. today and went back to work three hours later.” However, “even while Mnuchin pledged that banks would be ready to make the loans Friday, he admitted ‘that doesn’t mean everybody is going to get their loan tomorrow.’”

Meanwhile, Politico (4/2, Warmbrodt) separately reports that banks are “warning that a \$350 billion lending program for struggling small businesses won’t be ready when it launches Friday because the Trump administration has failed to provide them with the necessary guidelines and set requirements for the loans that are unworkable.” According to Politico, the banks “complain that Treasury Secretary Steven Mnuchin boxed them in with an unrealistic deadline and that the ground rules they’ve been given for the program, which is intended to deliver rapid aid to a huge number of ailing businesses, could delay the assistance for weeks or longer.” Politico says “failure to deliver small business aid as promised – one of the first big rollouts from the legislation – could deal a major blow to public confidence as a crippling recession looms.”

Reuters (4/2, Schroeder, Henry) also reports that at the same time, “thousands of U.S. banks, including some of the country’s largest lenders, have said they may not participate in the federal government’s small-business rescue program due to concerns about taking on too much legal and financial risk.” According to Reuters, “Representatives of some major lenders, as well as thousands of community lenders, have expressed serious reservations about participating in the scheme in its current



form and called that deadline totally unrealistic.” Reuters says the banks’ “main concern is that the Treasury Department said on Tuesday that lenders will be responsible for preventing fraudulent claims by verifying borrower eligibility, which is determined by a few measures including the borrower’s number of employees and its average monthly payroll costs.”

Separately, Reuters (4/2, Marshall) reports JPMorgan Chase “emailed many small business customers on Thursday to tell them it is still awaiting federal guidance on the small business loans program Congress approved last week, and it may not be ready to accept applications when the program launches on Friday.” The bank said, “Financial institutions like ours are still awaiting guidance from the SBA and the U.S. Treasury. As a result, Chase will most likely not be able to start accepting applications on Friday, April 3rd, as we had hoped.”

The New York Times (4/2, Cowley) reports banks and other lenders are “still waiting for much of the information they need to participate” in the program and “are also nervous about how they – and the government – will handle what is expected to be a huge crush of demand.” The program “offers companies and nonprofits with up to 500 workers a low-interest loan to cover up to two months of payroll and other expenses.” The Times reports Treasury and the Small Business Administration on Tuesday “released an overview for borrowers and a sample loan application.” Secretary Mnuchin said in a White House briefing Thursday that the program “will be up and running tomorrow.” Mnuchin “added that loan checks could be disbursed ‘the same day’ that borrowers applied.” The Times says the Independent Community Bankers of America “sent a letter to Mr. Mnuchin on Wednesday complaining that guidelines calling for low-interest loans could mean ‘unacceptable losses’ for lenders.”

MarketWatch (4/2, Wiltermuth) reports banks are “grappling” with the details of the program, noting that “administration officials have said they want to get aid in the hands of small businesses within days of Friday’s planned rollout.” However, “efforts to quickly get working capital out to small businesses, which in turn aims to staunch already skyrocketing unemployment, are being complicated by what some lenders have criticized as a chaotic process.” Secretary Mnuchin, asked at the briefing about the criticism, “said he was confident the program was ready to start Friday.” Mnuchin said, “I’ve been assured the banks will be in the process starting tomorrow.”

American Banker (4/2) reports lenders “are raising concerns about the emergency loan program for businesses hurt by the coronavirus outbreak, saying on the eve of its launch that parts of the program are unclear and onerous. The Paycheck Protection Program, run by the Small Business Administration and the Treasury Department, was set to roll out Friday.” However, banks “are especially worried about several of the program’s restrictions, including a 0.5% rate cap on the loans and a two-year amortization schedule that will likely increase a borrower’s payments.”

***SBA Doubles Small Business Loan Interest Rate To One Percent.*** Bloomberg (4/2, Niquette, Sasso) reports the SBA “has bumped up to 1% the interest rate lenders may charge small businesses under a \$350 billion U.S. relief program after lenders complained that the previous approved rate of 0.5% was below even their own cost of funds.” Secretary Mnuchin and Administrator Carranza “released additional guidelines for the program just a few hours before it is expected to become widely available Friday.”

The New York Times (4/2) also reports “banks and other lenders that are expected to make the loans warned that the relief effort, known as the paycheck protection program, was going to have a rocky start. Late on Thursday, they were still waiting for critical technical guidance about how to make the loans, and pushing back on terms they warned were onerous.” The Times says lenders “appear to have won one concession” from Secretary Mnuchin, who “said the interest rates paid by borrowers on the loans would be increased to 1 percent from 0.5 percent after banks protested that they would lose money servicing the loans unless the rate was raised.” Mnuchin also “said borrowers would be able to apply for the loans and receive them quickly: ‘You get the money, you get it the same day.’” However, “industry executives said there was virtually no chance of that happening on Friday. Even as Mr. Mnuchin was speaking, lenders



still had ‘nothing’ in the way of guidance on critical loan issues, said Tony Wilkinson, the chief executive of the National Association of Government Guaranteed Lenders, an industry trade group.”

The Wall Street Journal (4/2, Simon, Rudegeair, Omeokwe) reports that as lenders prepare to manage a wave of prospective borrowers, many are hoping for more information regarding due diligence requirements for borrowers and whether these loans will be able to be sold to facilitate liquidity. In the meantime, the Administration said that it is working to make certain that the SBA’s systems will be able to manage the surge in volume. A senior Administration official told reporters on Tuesday that a “supplementary system” will serve as a “backup and an add-on.” Secretary Mnuchin said Thursday the interest rate will be raised to 1% at community banks’ request.

Also reporting are the Business Journals (4/2), the Financial Times (4/2, Noonan, Politi, Greeley), CNBC (4/2, Son, Giel), and Fox Business (4/2, De Lea).

***FinTech Startups Angle For Seat At COVID-19 Small Business Lending Table.*** Behind a partial paywall, TechCrunch (4/2, Shieber) reports fintech startups are also “angling to get a seat at the table when it comes to distributing” CARES Act money. Innovative Lending Platform Association head Scott Stewart is quoted: “In the last crisis, banks stepped away from the kinds of lending that our members do. The bank process [for lending] is quite lengthy. Our members are underwriting loans using algorithms at speed and scale.” Stewart added, “The Treasury Department and the SBA have the authority and have been instructed in the legislation to allow us into the room. We will have to go through some sort of process to become qualified non-bank lenders.”

***Private Equity Firms Get Bipartisan Support For Affiliation Rules Waiver.*** Axios (4/2, Primack) reports, “Private equity and venture capital investors now have high-powered bipartisan support in their efforts to expand the types of small businesses eligible for” the Paycheck Protection Program. “House Speaker Nancy Pelosi and House Minority Leader Kevin McCarthy, who rarely agree on anything except for the grandeur of California, both want the so-called ‘affiliation rules’ waived.” The piece explains that the affiliation rule “excludes most small businesses from qualifying as small businesses if they are owned by a private equity firm – by ‘affiliating’ all of the company’s employees with those of the private equity firm’s other portfolio companies.” Axios says House Minority Leader Kevin McCarthy (R-CA) “told the Axios Pro Rata Podcast on Thursday: ‘I just got off the phone with Treasury Secretary Mnuchin and this is going to be solved.’”

MarketWatch (4/2, Matthews) reports the CARES Act sets the stage “for a debate over just which kinds of companies should be eligible for generous government loans. The private-equity business will take center stage in this debate, with industry groups lobbying the Trump administration to amend rules that typically bar small businesses controlled by large entities from receiving loans from the Small Business Administration.” Bloomberg (4/2, Newcomer) and Fox News (4/2, Rambaran) also report.

### **Treasury, IRS Officials Expect To Start Sending Stimulus Payments Week Of April 13. (POLITICO, WP, WASHEX, CNN, AP, ABCNEWS, BLOOM, VANFAIR, NPR, USAT, HILL, CALLER, FOX, NSWK)**

Politico (4/2, Lorenzo) reports Treasury Department and IRS officials have told the House Ways and Means Committee that the IRS “expects to start sending an initial wave of economic stimulus payments, worth up to \$1,200 apiece, to some 60 million Americans the week of April 13.” While taxpayers “in the first wave have direct deposit information on file with the IRS from their 2018 or 2019 tax returns,” it “could take as many as five weeks for the payments to land in the mailboxes of people who have to be paid by check.” Paper checks “would start going out in May to people who don’t have direct deposit information on file with the IRS, which includes nearly 100 million Americans. About 5 million checks will be sent weekly, and it could take up to 20 weeks to distribute all of them.”



The Washington Post (4/2, Rein) says Treasury Secretary Steven Mnuchin, during a White House briefing Thursday, “said these eligible Americans will receive the money within two weeks.” Mnuchin said, “If we if have your [bank] information you’ll get it within two weeks. Social Security, you’ll get it very quickly after that. If we don’t have your information you’ll have a simple web portal, we’ll upload it. If we don’t have that, we’ll send you checks in the mail.” Mnuchin added, “In this environment, we don’t want to send checks and we want to put money directly into [taxpayers’] accounts.”

The Washington Examiner (4/2, Yilek) reports that Treasury Secretary Mnuchin “took a shot at former President Barack Obama in defending the Trump administration’s efforts to send checks during the coronavirus pandemic.” During Thursday’s White House coronavirus task force briefing, Mnuchin said “that the administration would send out the tax rebates authorized by the \$2.3 trillion pandemic relief package in a matter of weeks, not up to five months, as some reports alleged.” Mnuchin said, “Let me be clear. I don’t know where you’re hearing these things. I told you this would be three weeks. I’m now committing to two weeks. We’re delivering on our commitments. The IRS, which I oversee, within two weeks, the first money will be in people’s accounts. ... Let me just say [that] when Obama sent out these checks, it took months and months and months. I am assuring the American public. They need the money now.”

***Some Consumers May Not Receive Coronavirus Stimulus Checks For Up To 20 Weeks, IRS Says.*** CNN (4/2, Raju, Fox) reports that consumers “likely won’t begin to see direct payments from the coronavirus stimulus bill until at least April 13 and it could take 20 weeks for all the checks to be mailed, Trump administration officials told lawmakers, according to a House Democratic memo obtained by CNN.” This “timeline means tens of millions of Americans will have to wait to get badly needed assistance, despite repeated suggestions from Treasury Secretary Steven Mnuchin that the money would go out as soon as April 6.” Mnuchin “said at Thursday’s White House coronavirus briefing that payments would go out within two weeks to people whose direct deposit details are on file with the government, echoing comments he made this past Sunday after passage of the \$2.2 trillion stimulus bill that payments would not go out until mid-April.”

The Washington Post (4/2, Newmyer) reports in its daily “The Finance 202” rundown that Secretary Mnuchin “has pledged most will receive payments within three weeks. And indeed, the IRS will directly deposit cash for taxpayers with bank account information on file with the agency.” However, “that will leave about 70 million Americans – the so-called unbanked and underbanked – waiting potentially much longer for their own share, according to an estimate by Aaron Klein, a former Treasury official now at the Brookings Institution.”

The Associated Press (4/2, Daly), ABC News (4/2, Siegel), Bloomberg (4/2, Sink, Parker), Vanity Fair (4/2, Levin), NPR (4/2, Snell), USA Today (4/2, Hayes), The Hill (4/2, Jagoda), Daily Caller (4/2, Hagstrom), Fox News (4/2, O’Reilly), and Newsweek (4/2, Rodriguez) also report.

### **Despite Airline Industry Bailout, Carriers Are Shrinking Their Workforce. (MYAJC, CQRC, BLOOM, ECO, FOXB, HILL, REU)**

The Atlanta Journal-Constitution (4/2, Yamanouchi) reports that the “federal airline industry bailout is aimed at preventing carriers from cutting jobs and pay,” but the bailout “hasn’t stopped...Delta Air Lines and other carriers from already shrinking their workforces and announcing plans to slash hours and pay in recent weeks,” with the possibility of “more such cuts in the coming months.” Contract workers, who make up “a large and growing portion of the U.S. airline industry’s labor force” appear “particularly vulnerable amid fewer job protections than employees as carriers look to axe costs amid a plunge in air travel because of the coronavirus pandemic.” Delta Air Lines has “used tens of thousands of contract workers to help run its operations, from checking in passengers and handling bags at some airports to assisting passengers in wheelchairs, operating Delta Connection flights and providing technical support.”



Those contract workers “may not be protected in a Delta bailout because they are not in-house Delta employees.”

CQ Roll Call (4/2, Wehrman) reports, “Treasury Secretary Steven Mnuchin has consistently argued that help for airlines should come with strings.” The \$25 billion in “loans for passenger airlines, too, come with restrictions, he said.” But, “labor groups representing airline workers say they’re determined to stop the grant restrictions.” In a letter to Mnuchin on Wednesday, “representatives of the Association of Flight Attendants...the Association of Professional Flight Attendants, which represents American Airline Flight Attendants, and the Transport Workers Union of America 556, which represents Southwest, wrote that the provision ‘threatens whether workers will ever see the promised relief.’”

***Mnuchin: Per CARES Act Language, I Will Determine “Proper Compensation” For Airlines To Prevent Bailouts.*** Bloomberg (4/2, Sink, Parker, Mohsin) reports the Treasury Department “has retained several Wall Street banks to assist with loans to three industries during the coronavirus crisis.” Secretary Mnuchin said Thursday that PJT Partners, Moelis & Co, and Perella Weinberg Partners will handle the loans for, respectively, airlines, the cargo industry, and companies involved with national security. Mnuchin said the banks would not receive “big fees” for the banks. Mnuchin also “reiterated that airlines would not be receiving bailouts,” saying: “There is a specific line in the bill that says the secretary – meaning me – will determine proper compensation so that this is not a bailout for the airlines. I will be working, once we get our advice from our financial advisers, we get the applications from the airlines, I’ll be working very closely with the president, and we’ll make sure that we strike the right balance.” The Economist (4/3) and Fox Business (4/2, O’Halloran) also report.

***Flight Attendants’ Union Leader: Mnuchin Must Give Money Directly To Workers Instead Of Acting To “Effectively Control Aviation.”*** The Hill (4/2) reports Association of Flight Attendants international president Sara Nelson “said in a Thursday interview with Hill. TV that coronavirus relief passed by Congress must go directly to workers impacted by the pandemic as opposed to being leveraged by Treasury Secretary Steven Mnuchin.” Nelson “said Mnuchin was seeking to add warrants to the grants in the relief package passed by Congress in March, which she had said on Twitter would mean Mnuchin would ‘effectively control aviation.’ It would ‘turn the grant into a loan.’” Nelson said, “A grant of money directly to the workers, for the workers, to give us financial stability at this time, to give us the ability to take care of the sick and vulnerable, is at risk because the Treasury secretary has the ability and has been saying that he is going to use this instrument against the airlines, which will make it too onerous to take, and if that happens, the only option for the airlines is to file for bankruptcy.” Nelson added, “The people that Steve Mnuchin has called in to help him with this application process are investment bankers from Wall Street, and he is sending the signal that these are the people who every single day bet on people failing on Wall Street... that’s who he has in his office right now and he’s putting the airlines through an incredibly onerous application process to make this provision not work.” Nelson also “accused Mnuchin of using the provision to slow the application process, adding that there were elements in the Trump administration seeking to ‘make money off of chaos and people hurting.’”

***Southwest Airlines To Apply For U.S. Government Aid As Demand Craters*** Reuters (4/2, Rucinski) reports Southwest Airlines “said on Thursday it intends to apply for U.S. government aid to help it ride out the sharp drop in travel demand caused by the massive lockdowns because of the coronavirus pandemic.” Southwest CEO Gary Kelly said in a video message, “We still don’t know the severity of this situation. We still don’t know how long it will last.” According to Reuters, “The grants are meant to protect jobs for the next six months and help airlines weather the downturn until demand begins to recover.” The other major US carriers have also “said they intend to apply for the grants, though the industry has pushed back on a condition that allows the U.S. Treasury to demand warrants or equity in exchange for the cash.”



**Pelosi Establishes Committee To Oversee \$2 Trillion In Emergency Spending. (WP, POLITICO, CNN, NYT, WSJ, FOX, USAT, NPR, USNEWS, HILL, CQRC, REU, BLOOM)**

The Washington Post (4/2, Werner, Kane) reports House Speaker Nancy Pelosi “announced the creation of a new select committee Thursday with subpoena powers to scrutinize the Trump administration’s response to the coronavirus pandemic, and its management of the new \$2 trillion economic rescue law.” Pelosi’s announcement “comes amid growing clashes between congressional Democrats and the Trump administration about oversight of the new rescue legislation and a \$500 billion fund controlled by the Treasury Department.” Treasury Secretary Steven Mnuchin “said he viewed the new committee as unnecessary, given layers of oversight already built into the rescue legislation.” Mnuchin said, “Both parties wanted us to have oversight, wanted us to have transparency. We have full transparency.”

Politico (4/2, Caygle, Cheney, Zanona) reports that Pelosi said the committee “would not only oversee the three bills Congress has passed so far to address the pandemic but also any future legislation related to the virus.” Politico points out that Pelosi “has been pushing to move ahead quickly with a fourth coronavirus response package, an idea she again pitched Thursday, noting the record high 6.6 million-plus unemployment claims reported earlier in the day.” House Majority Whip Jim Clyburn (D-SC) will chair the committee.

CNN (4/2, Foran, Byrd, Raju) reports Pelosi said the bipartisan committee, which will be chaired by Majority Whip Jim Clyburn, will focus “on ‘the here and now,’ not the Trump administration’s initial response to the pandemic, though she said there will come a time when such a review will be appropriate.” Pelosi “said the committee will be able to exercise oversight and would have the authority to issue subpoenas.”

Among other media outlets providing coverage are the New York Times (4/2, Stolberg, Fandos), the Wall Street Journal (4/2, Andrews), Fox News (4/2, Schultz), USA Today (4/2, Behrmann), NPR (4/2, Snell), U.S. News & World Report (4/2, Hagen), The Hill (4/2, Lillis), and CQ Roll Call (4/2, McPherson, Marquette).

***Pelosi Says Infrastructure Talks With Mnuchin Are Ongoing Despite Senate GOP Reticence.***

Reuters (4/2, Cornwell, Chiacu, Zengerle) says Pelosi also told reporters today that the Trump Administration is “‘more inclined to be supportive’ than Senate Republican leaders of her push for infrastructure spending as part of a fourth major bill in response to the coronavirus crisis.” Pelosi also “said she spoke with Treasury Secretary Steven Mnuchin on Wednesday about tax matters, but ‘they know that I want to go forward’ on infrastructure spending.”

Bloomberg (4/2, House, Wasson) reports Pelosi “said talks between Treasury Secretary Steven Mnuchin and Ways and Means Chairman Richard Neal on funding for infrastructure are accelerating.” Pelosi “told reporters Thursday that she spoke with Mnuchin the previous night about implementing last week’s coronavirus stimulus bill quickly and looking ahead to the next legislation, which could include infrastructure spending.” Pelosi added, “Whatever communication we need to move forward, that will be happening.”

**Mnuchin: Energy Companies Hit By Oil Price War Can Use Fed Lending Facilities. (BLOOM, HILL, POLITICO)**

Bloomberg (4/2, Mohsin) reports Treasury Secretary Steven Mnuchin, during a White House briefing Thursday, “said energy companies squeezed by the oil-price war can turn to the Federal Reserve’s lending facilities for aid but won’t get direct loans from his department.” Mnuchin said, “I have very limited ability to do direct loans out of the Treasury,” adding, “Our expectation is the energy companies, like all our other companies, will be able to participate in broad-based facilities, whether it’s the corporate facility or whether it’s the main street facility, but not direct lending out of the Treasury.”



***Murkowski Presses Mnuchin On Federal Loans For Oil Companies.*** *The Hill* (4/2, Beitsch) reports Senate Energy and Natural Resources Chairwoman Lisa Murkowski (R-AK) “sent a letter to Treasury Secretary Steven Mnuchin asking him to ensure that U.S. oil and gas companies can get federal loans provided for businesses in the coronavirus stimulus package.” Murkowski wrote, “There is no question that one of the hardest hit industries – and one of the most critical to Alaska – is the oil and gas sector. Producing companies and the businesses that contract with them are being impacted not only by the market demand shock from the coronavirus, but also the Russia-Saudi Arabia power struggle against American energy.” *Politico* (4/2, Lefebvre) also reports.

**Analysts Say Mnuchin Should Ramp Up Sale Of Treasury Bills To Speed Up Stimulus. (BLOOM)**

In an analysis, *Bloomberg* (4/2, McCormick, Harris) reports, “Get ready for the U.S. government to issue more short-term debt. A lot more.” While Treasury Secretary Steven Mnuchin “long talked up the idea of selling ultra long-term bonds, most agree the money from the \$2 trillion coronavirus relief package needs to get into the hands of Americans fast. And the best way to do that, analysts say, is to keep it simple and ramp up sales of T-bills.” Bloomberg says the “reasons are clear. For starters, investors have been practically screaming for more T-bills, and little of anything else. They pushed bill rates below 0% in the open market as demand for money funds that invest in short-term U.S. debt soared to a record. Then there’s the fact that unlike longer-term Treasuries, which the government prefers to issue on a pre-set schedule, T-bills can be sold at just about any time. There are also few worries about liquidity, which can’t be said for 50-year bonds.” Therefore, “except for perhaps a bruised ego, Mnuchin has almost nothing to lose by going big with T-bills.”

**Restrictions On Companies Getting Bailouts Unlikely To Apply To Big Corporations Getting Fed Assistance. (POLITICO)**

*Politico* (4/2, Grunwald) reports, “Most big companies that take advantage of the \$500 billion corporate bailout in last week’s coronavirus relief bill are unlikely to face restrictions against firing workers or giving bonuses to executives.” Politico says that while Democrats “have boasted about the strict conditions they negotiated to make sure the CARES Act’s massive corporate-aid package benefits employees rather than their bosses,” \$454 billion “for larger firms will flow through Federal Reserve lending programs, and people close to the Fed say its top officials don’t think they’re required to force companies that get the money to keep workers on their payrolls, limit executive compensation or forgo stock buybacks or dividends. ‘Congress left a lot of discretion, a lot more than people realize,’ one former Fed official said.” The bill “did insert one provision with a sweeping list of restrictions on bailed-out companies,” but “that provision only directs Treasury Secretary Steven Mnuchin to ‘endeavor to’ set up a program with those specifications, and insiders suggest the Fed doesn’t feel bound by them. And while the CARES Act does seem to limit companies that receive direct loans through Fed programs from buying back stock, paying dividends, or raising executive pay for a year, it allows Mnuchin to waive those provisions as long as he explains his rationale to Congress.”

**WPost Analysis: “Trump Sows Uncertainty And Seeks To Cast Blame.” (WP, HILL)**

The *Washington Post* (4/2, Rucker, Costa) writes under the headline “Commander Of Confusion: Trump Sows Uncertainty And Seeks To Cast Blame In Coronavirus Crisis” that “as Trump has sought to remake his public image from that of a skeptic of the pandemic’s danger to a savior forestalling catastrophe and protecting hundreds of thousands of people from a vicious contagion, he also has distorted the truth, making edits and creating illusions at many turns. ... The result is chaotic.” Trump “has given confusing signals about what he prioritizes in economic stimulus packages, which has left him somewhat isolated from congressional leaders as Treasury Secretary Steven Mnuchin takes the lead crafting policies.”



***Biden Hits Trump For COVID-19 Response, Mnuchin For Calling Unemployment Numbers “Not Relevant.”*** The Hill (4/2, Stanage) reports former Vice President Joe Biden, in a statement Thursday, “hit Trump for ‘failing to prepare our nation’ for the ramifications of the coronavirus crisis.” Biden “called on Trump to allow open enrollment in the Affordable Care Act and also jabbed at Treasury Secretary Steven Mnuchin for having referred to previous unemployment figures as ‘not relevant.’” Trump campaign communications director Tim Murtaugh “blasted back at Biden for ‘ineffectively sniping from the sidelines, stumbling through television interviews, and hoping for relevance and political gain.’”

## **POLITICO MORNING MONEY**

**Trump’s vaporized economy** — The March jobs report out this morning is not expected to show anything close to the full hit so far from the coronavirus. The survey covered the week of March 12, before many of the lockdown orders shuttered much of the U.S. economy. Consensus is for a loss of 100K, ending a record run of 113 straight months with job gains.

**But we know the number of job losses is actually far more massive** given we’ve seen 10 million jobless claims over just the last two weeks, obliterating previous records and suggesting the unemployment rate is already close to 10 percent, matching the highest point of the Great Recession. It will almost certainly go significantly higher, possibly above the 24.9 percent hit during the Great Depression.

Economic growth is also dropping off a cliff with estimates for a first quarter decline of around 4 percent and a second quarter plunge of 25 percent or more. Stocks have crashed around 30 percent since setting record highs in February. Oil prices are tanking, which means cheap gas but also a massive hit to the energy sector, slamming red states the hardest.

**All of this means the fundamental pillars of Donald Trump’s presidency** — a hot economy, strong job growth and a rocking stock market — have all been smashed to splinters by the coronavirus. The outbreak was obviously not Trump’s fault — though some criticize the speed of the administration’s response.

But that does not change the stark reality that all the job gains on Trump’s watch are now gone. The impact of his chief legislative achievement — a big tax cut bill focused on corporations — is now nonexistent.

And Trump will head into reelection as the economy struggles to dig out of a deep recession that some economists fear could become a depression. The pieces are in place for Trump to wind up like Herbert Hoover, who saw his presidency destroyed by the Depression and his response to it.

**There are other possible outcomes, of course.** If efforts to restrain the growth of the virus succeed and if an effective vaccine is discovered sooner than expected, then perhaps the economy can recover faster than many expect. The Trump administration, Congress and the Fed also moved relatively quickly to pump trillions of dollars into the economy to try and stem the flood of layoffs and push money into the pockets of millions of Americans.

The president is nothing if not a master of reframing the narrative in any way he deems helpful. And early positive poll numbers for his handling of the virus — though now fading — suggest there is at least the possibility that he could campaign as the president who beat back the virus and got the economy moving forward again after taking such a massive punch to the face. But that requires an awful lot of things to go remarkably — if not impossibly — right.

## **Driving the Day**

March jobs report at 8:30 a.m. expected to show a loss of 100,000 jobs and unemployment rising to 3.8% from 3.5%. Neither will really tell us anything about the real state of the jobs market ... Trump meets

with oil executives at the White House ... House Speaker Nancy Pelosi joins Jim Cramer on CNBC's Squawk on the Street at approximately 9:35 a.m.

**Moody's Mark Zandi emails his jobs day predictions:** "Employment fell by 50,000 jobs in March and unemployment increased to 3.8%, as Covid-19 first began to take its economic toll early in the month when the BLS conducted its survey.

"Given the close to 10 million initial claims for unemployment insurance since the BLS survey, the economy will lose closer to 15 million jobs in next month's report for April. The economic damage is due to the business shutdowns across the country necessary to contain the virus. GDP is over one-fourth lower today as a result of the impact of the fallout."

**THE VIRUS AND THE DAMAGE DONE** — Our Rebecca Rainey and Nolan D. McCaskill: "Unemployment claims soared to a record-smashing 6.6 million last week, the Labor Department reported, more than double the previous week, signaling more economic pain from the coronavirus pandemic.

"The rush to claim unemployment benefits occurred as the number of people testing positive for the coronavirus rose above 200,000 and government measures to contain the epidemic shut down increasing swaths of the U.S. economy, with residents in 37 states now ordered to stay at home."

**Our Playbook colleagues** noted that some of the biggest hits represent the core of the electorate that will decide our next president: Pennsylvania, which has 362,012 new unemployment claims, and Ohio, with 189,263 new claims.

**GOOGLE TELLS THE TALE** — Via SEMrush, a data analytics company found that between February 20 and March 20, 2020 searches for "unemployment" grew by 400% and "recession" by 376%. ... Since March 14, there has been a 900% increase in search volume for "What do I do if I get fired"

HPS has a cool graphic showing why Friday's jobs report won't tell us that much.

**Via ING:** "US initial jobless claims have now risen nearly 10 million over the past two weeks. This is on its own could push the April unemployment rate up to 9.5%, but with more job losses likely in coming weeks, it will end up even higher"

**Pantheon's Ian Shepherdson on jobless claims:** "In one line: No words for this."

**IHS Markit on growth:** "Core orders and shipments were little revised through February, while inventories were somewhat weaker than expected through February. As a result, we lowered our tracking forecast of first-quarter GDP growth by 0.1 percentage point to -3.6%, while we left our tracking forecast of second-quarter GDP growth unchanged at -26.5%"

### **Coronavirus effects**

**BANKS WARN ON LENDING PROGRAM** — Our Zachary Warmbrodt: "Banks are warning that a \$350 billion lending program for struggling small businesses won't be ready when it launches Friday because the Trump administration has failed to provide them with the necessary guidelines and set requirements for the loans that are unworkable.

"The lenders complain that Treasury Secretary Steven Mnuchin boxed them in with an unrealistic deadline and that the ground rules they've been given for the program, which is intended to deliver rapid aid to a huge number of ailing businesses, could delay the assistance for weeks or longer."

**MM SIDEBAR** — Trump as his presser promised the Paycheck Protection Program would be open for business today. We'll see. Treasury Secretary Mnuchin said the government would bump the interest rate to 1.0% (paid by the government) rather than 0.5% to make it more economically feasible for banks to service the federally guaranteed loans.



Mnuchin also announced that Wall Street firms PJT Partners would work on the passenger airline rescue, Moelis & Co. the cargo planes and contractors and Perella Weinberg the national security portion.

Here is more from Zach on Trump's promises even as banks like JPMorganChase said they likely won't be prepared to offer the loans by tomorrow. And more from Zach on "new guidelines [the administration] said ... will streamline loan processing requirements for banks."

**HOW BAILOUT CASH COULD GET (MIS)USED** — Our Michael Grunwald: "Most big companies that take advantage of the \$500 billion corporate bailout in last week's coronavirus relief bill are unlikely to face restrictions against firing workers or giving bonuses to executives, according to officials familiar with the program.

"[T]he bipartisan legislation that President Trump signed Friday did attach tight strings to the \$46 billion the Treasury Department will dispense to airlines and firms it deems vital to national security. But the other \$454 billion in the law for larger firms will flow through Federal Reserve lending programs, and people close to the Fed say its top officials don't think they're required to force companies that get the money to keep workers on their payrolls, limit executive compensation or forgo stock buybacks or dividends."

**TRUMP TAKES A HIT?** — Forbes "reports ... that President's Trump's net worth has plunged \$1 billion in less than a month. As of March 1, Forbes valued President Donald Trump's net worth at \$3.1 billion. The markets took a turn and reporters went back to work to approximate how much the coronavirus affected the president's fortune. Trump's newly estimated fortune is now \$2.1 billion."

**HURRY UP AND WAIT** — Our Aaron Lorenzo: "The IRS expects to start sending an initial wave of economic stimulus payments, worth up to \$1,200 apiece, to some 60 million Americans the week of April 13, Treasury Department and IRS officials have told the House Ways and Means Committee. But it could take as many as five weeks for the payments to land in the mailboxes of people who have to be paid by check."

## **Markets**

**WALL STREET RISES FOR FIRST TIME IN THREE DAYS** — AP's Stan Choe, Damian Troise and Alex Veiga: "Wall Street rallied Thursday for its first gain in three days after a sudden surge in oil prices revived beaten-down energy stocks. But, as has so often been the case in this year's market sell-off, it took a few U-turns to get there.

**PREDICTIONS FOR THE CORONAVIRUS STOCK MARKET** — NYT's Robert J. Shiller: "One prediction seems solid: The coronavirus epidemic will get much worse in the United States in coming weeks. But where the stock market is heading is much less certain."

**S&P 500 DIVIDED CUTS ADDING UP FASTER THAN ANY OTHER TIME SINCE 2009** — Bloomberg's Andres Guerra Luz: "U.S. companies are expected to slash dividends at a rate not seen since the global financial crisis."

## **Fly Around**

**TRUMP CALLS ON RUSSIA/SAUDI TO CUT OIL PRODUCTION** — Our Ben Lefebvre: "Trump tweeted on Thursday that Saudi Arabia and Russia appeared to be close to curbing their oil production, a potential lifeline for the U.S. oil sector that has been buffeted by plummeting energy demand from the coronavirus and a flood of crude exports from the two countries. ...

"Trump's statement extended a rally in oil prices Thursday morning, adding about \$5 to the earlier gains and lifting prices on the U.S. futures market briefly above \$27 a barrel. Saudi Arabia, in its own message, was more circumspect, only saying it sought a meeting of OPEC and other countries to discuss 'a desired balance to the oil market.'"

**FED'S KAPLAN: MORE FISCAL STIMULUS APPEARS NECESSARY** — WSJ's Michael S. Derby: "While acknowledging that ultimately it wasn't the central bank's call, Dallas Fed leader Robert Kaplan said Thursday elected leaders probably would need to provide more stimulus to the economy to help it navigate the coronavirus crisis.

**MORTGAGE DEFAULTS COULD PILE UP IN A BIG WAY** — Bloomberg's Prashant Gopal and John Gittelsohn: "Mortgage lenders are preparing for the biggest wave of delinquencies in history. If the plan to buy time works, they may avert an even worse crisis: Mass foreclosures and mortgage market mayhem."

**JPMORGAN CEO BACK TO WORK AFTER SURGERY** — WSJ's David Benoit: "JPMorgan Chase & Co. Chief Executive James Dimon returned to work this week, a month after undergoing emergency heart surgery.

"In a memo to employees, Mr. Dimon thanked Co-Presidents Daniel Pinto and Gordon Smith for running the bank in his absence. He is working remotely, along with most of the bank's executives, as the coronavirus pandemic sweeps through New York City. 'I have been recuperating well and getting stronger every day,' he said."

**TRANSITION** — Brian McGuire is returning to Brownstein Hyatt Farber Schreck after a stint as the top legislative affairs official at Treasury.



**From:** (b)(6)  
**Sent:** Mon, 6 Apr 2020 08:44:47 -0400  
**To:** Undisclosed recipients:  
**Subject:** 04-06-2020 PA Senior Staff Notes  
**Attachments:** 04-06-2020 PA Senior Staff Notes.docx

April 6, 2020

**Public Affairs Notes:**

**This week:**

- **There are no public events to report for the remainder of the week. Updates will be provided as they become available.**

**SECRETARY MENTIONS**

**Trump Declares Rollout Of Small Business Loan Program Has Been “Flawless.” (BLOOM, REU, WP, AP, WSJ, FOXB, ABCNEWS, NYT, USAT, CBSNEWS, AXIOS, AMBNKR, FT, TECHCRCH, CNBC, POLITICO)**

Bloomberg (4/4, Mohsin, Jacobs) reported President Trump on Saturday “dismissed concerns about the rollout of a \$349 billion program to assist small businesses rocked by the coronavirus, saying loan distributions were “way ahead of schedule” even as banks struggle to respond to the flood of requests.” The President said, “It’s been flawless so far.” He continued, “Far beyond our expectations. I don’t even hear of any glitch.” Bloomberg says Treasury Secretary Steven Mnuchin on Friday “said over \$5.4 billion had been processed on the program’s first day, and promised that more lenders would be ready to accept applications next week.” Mnuchin tweeted Friday, “Thank you to everyone that participated in the launch of #Ppploans today! More lenders are expected to be available Monday. #CARESAct #SmallBusiness @SBAGov @USTreasury.”

Reuters (4/4, Brice) reports Trump “said on Saturday he would ask Congress for more money to make loans to small businesses struggling with the economic fallout from the coronavirus outbreak if the original \$349 billion allocated in a fiscal stimulus bill runs out.” Trump tweeted, “I will immediately ask Congress for more money to support small businesses under the #PPploan if the allocated money runs out. So far, way ahead of schedule. @BankofAmerica & community banks are rocking! @SBAGov@USTreasury.”

***Frustration, Confusion Surround Rollout Of Stimulus Package.*** The Washington Post (4/5, Stein) reports the Administration has “stumbled in its initial push to implement the \$2 trillion coronavirus aid package, with confusion and fear mounting among small businesses, workers and the newly unemployed since the bill was signed into law late last month.” Small-business owners have complained of “delays in getting approved for loans without which they will close their doors, while others say they have been denied altogether by their lenders and do not understand why.” The Post quotes a statement from Assistant Treasury Secretary Monica Crowley: “Secretary Mnuchin takes very seriously his responsibility of executing the largest economic relief package in history to help American workers, families and businesses. The Secretary and the entire [Treasury] team are fully committed to the fast and successful implementation of the Cares Act to provide much-needed assistance to the American people.”

The AP (4/3, Sweet, Rosenberg, Foley) reported, “Many small business owners ran into bureaucratic or technological road blocks. Some even discovered their bank wasn’t yet prepared to accept applications,

and when they tried another bank were told that only established customers were being accepted.” In spite of the stumbles, some business owners “did succeed in at least getting the process started. Bank of America alone said 75,000 small businesses had applied for \$7 billion of loans.” However, “it was unclear how much if any money had actually been sent to the businesses.” The AP said Treasury Secretary Steven Mnuchin addressed “such complaints” on Fox Business’ Lou Dobbs Tonight Friday, saying, “I know there were a lot of hard working small businesses that could not get their loans processed. There is plenty of time. There is a lot of money left.”

***Treasury Department Issues New Guidance For Loan Program.*** The Wall Street Journal (4/4, Davidson, Winkler, Michaels) reported the Treasury Department on Friday announced new guidance to help tech startups to access small business loans. However, the Journal says some tech companies warned the regulations are insufficient.

***Bank Executives Reached Out To Ivanka Trump Over Small Business Lending Program.*** Bloomberg (4/3, Sink, Jacobs) reported, “Bank executives concerned about the Trump administration’s rollout of a \$349 billion emergency small business lending program personally appealed to Ivanka Trump this week as they sought additional guidance and higher interest rates.” Bloomberg said their outreach “appeared to be at least partially effective. Ivanka Trump relayed to Treasury Secretary Steven Mnuchin and other administration officials requests to increase the interest rates on the forgivable, government-backed loans, and to make a greater effort to encourage community and regional banks to participate.” Bloomberg added that Mnuchin said Thursday, “I’ve told these bankers they should take all their traders and put them in the branches. There’ll never be another opportunity to earn five points on a 90-day fully government-guaranteed loan. To make this attractive for community banks, we’ve agreed to raise the interest rate.”

Fox Business (4/4, Gasparino), ABC News (4/3, Turner, Kolinovsky), The New York (NY) Times (4/3, Vogel, McCabe), USA Today (4/3, King), CBS News (4/3, Gandel, Cerullo), Axios (4/3, Treene), American Banker (4/3, Wack, Kline, Prior), The Financial Times (4/3, Noonan), TechCrunch (4/4, Shieber), CNBC (4/3, Iacurci), and Politico (4/3, Warmbrodt), among other outlets, also provide similar coverage.

**Airlines Apply For Government Stimulus Grants As Demand Crashes From Coronavirus. (REU, CNBC, BIZINDER, USAT, NYT, BLOOM, POLITICO)**

Reuters (4/3, Rucinski, Shepardson) reports major passenger and cargo airlines in the US “applied on Friday for payroll grants from the U.S. Treasury meant to keep workers employed during a sharp downturn from the coronavirus, though the terms of any aid were still unclear and some warned that funds would not be enough to help them through their toughest crisis ever.” The passenger airlines say the billions in government grants and loans they can apply for will be just one source of funding through the coronavirus pandemic, along with more debt and spending cuts, as they are all “spending more cash every day than they are bringing in.” Meanwhile, the cargo carriers are also suffering a severe downturn “from disruption to global supply chains and high-margin business-to-business demand, even as ground-package delivery services increase.”

CNBC (4/3, Josephs, Hirsch) reports that while the airline industry in general is seeking the grants in order to maintain payrolls, “the approach of attaching warrants to the grants, not just the loans, was criticized by some industry members, labor unions and lawmakers.” For instance, the Regional Airline Association told Treasury Secretary Steven Mnuchin “and Transportation Secretary Elaine Chao on Monday that for smaller, regional airlines, any equity instrument could force worker furloughs.” The group wrote in its message, “Since most regional airlines do not have the ability to take on debt, access capital markets, or issue warrants or equity, any condition to do so would render these carriers unable to obtain assistance and force these carriers to immediately furlough tens of thousands of aviation



employees.” Mnuchin “has said he wants taxpayers compensated for the investment, though he has not outlined those plans in great detail.”

Business Insider (4/3, Slotnick) reports the “provisions” in the CARES Act stimulus package require the “airlines to continue service while receiving the aid.” The Act declares airlines must “maintain scheduled air transportation service as the Secretary of Transportation deems necessary to ensure services to any point served by that carrier before March 1, 2020.” Business Insider says “the discretion given to the Secretary of Transportation, Elaine Chao,” by the Act is “an important provision” because “it requires service to cities to be continued,” but at the same time “it’s left that open for interpretation based on perceived needs.”

USA Today (4/3, Woodyard) reports “some low-cost and regional airlines are pushing back against requirements of the federal stimulus package that force them to maintain a minimum level of service to certain destinations, saying having to fly nearly empty planes defeats the purpose of the bailout.” For example, Allegiant Air and Frontier Air both “say the Department of Transportation’s requirements under the measure intended to help airlines stay afloat despite a dearth of travel during the coronavirus pandemic punish no-frills carriers like themselves by forcing them to offer flights they know will be mostly empty.” In another story, USA Today (4/3, Ellis) reports “some of the nation’s busiest airports have shuttered concourses, gates and runways in the last month to cope with a significant decline in travel during the coronavirus pandemic.”

***Democratic Lawmakers Press Treasury To Quickly Move Forward With Airline Bailout.*** The New York Times (4/5, Rappeport) reports, “Top Democratic lawmakers have urged Treasury Secretary Steven Mnuchin to quickly provide American airlines with direct payroll assistance and to avoid insisting on overly restrictive terms that could deter companies from taking the money.” According to the Times, “there is growing concern” within the airline industry that Mnuchin will “demand strict terms to ensure that taxpayers are compensated, such as large equity stakes in the companies.” Democrats are worried that if Mnuchin “drives too hard of a bargain, airlines will balk and lay off more workers.” In a letter to Mnuchin dated April 3, House Speaker Pelosi and Senate Minority Leader Schumer “warned that it would not be in the public interest if the airlines chose to declare bankruptcy.” Bloomberg (4/6, House), CNBC (4/5, Hirsch, Josephs), Reuters (4/5, Shepardson), and Politico (4/3, Mintz), among other outlets, also report.

### **Treasury Riddled With Vacancies As It Deals With Economic Crisis. (BLOOM)**

Bloomberg (4/4, Mohsin, Schmidt) reported that “as it confronts the worst economic disaster since the 2008 financial crisis, the Treasury Department is riddled with vacancies among its political appointments.” Seven of the “20 Senate confirmed roles reporting to the secretary” are unfilled, while “four are occupied by acting officials.” Bloomberg adds, “The domestic finance unit, which should be handling the brunt of the work related to the coronavirus outbreak, is particularly empty.” As Treasury’s “work becomes increasingly urgent due to the coronavirus, officials have reached out for advice to a number of ex-Treasury staff members who were instrumental in fighting the last financial crisis in 2008 and 2009, according to people familiar with the matter.” Moreover, Treasury Secretary Steven Mnuchin is “considering bringing in people with experience in the markets and investment banking to assist, and the Treasury is also contracting out some work.”

### **“Boutique Banks” Seek Relief Loan Distribution Role. (BLOOM)**

Bloomberg (4/3, Basak) reports on lobbying efforts by “boutique banks” in the wake of the \$2.2 trillion coronavirus relief package. Such banks are seeking roles in distributing “loans that are part of [the] historic rescue package. ... For banks, the roles are more about the prestige than money.” Treasury Secretary Steven Mnuchin “said Thursday that there would be no big fees for banks. ... Boutique banks have fewer conflicts than larger banks, mostly because they don’t lend.”

### **Outdated IRS Technology Could Delay Stimulus Checks, Experts Say. (USAT)**



USA Today (4/4, Collins) reported Treasury Secretary Steven Mnuchin is “promising that millions of Americans will receive \$1,200 stimulus checks in just two weeks, but some tax experts and congressional officials are warning it may take much longer.” According to experts, “antiquated technology and staff reductions at the Internal Revenue Service have seriously hampered the agency’s ability to process checks in such a short period and could mean delays in sending the money to anxious Americans who are counting on the cash to get them through hard times caused by the coronavirus pandemic.”

**Democrats Criticize Trump’s Pick For Coronavirus Recovery Watchdog Role. (REU, ABCNEWS, BLOOM, VOX, WSJ, POLITICO, WP, NSWK)**

Reuters (4/4, Brice) reported President Trump’s “pick for the new watchdog overseeing \$2.3 trillion in coronavirus-related fiscal spending is not independent enough to do the job, congressional Democrats said on Saturday.” The White House “said late on Friday Trump would nominate Brian Miller, a special assistant to the president and senior associate counsel in the Office of White House Counsel, to the role of special inspector general for pandemic recovery.” House Speaker Nancy Pelosi said in a statement: “The Inspector General providing oversight of the federal response of this historic relief package for workers and families must be independent from politics.” Reuters said the new position, “which comes with a \$25 million budget, was created to ‘conduct, supervise, and coordinate audits and investigations of the making, purchase, management, and sale of loans, loan guarantees, and other investments’ by Treasury Secretary Steven Mnuchin.” ABC News (4/4, Siegel), Bloomberg (4/3, Grotto, Shields), Vox (4/5, van Wagtenonk), The Wall Street Journal (4/3, Leary), Politico (4/3, Cheney), The Washington (DC) Post (4/3, Stein), and Newsweek (4/3, Touchberry) also report.

**Pelosi Pushing For More Small Business, Individual Relief In Next Coronavirus Legislation. (REU, HILL, AP)**

Reuters (4/3, Cornwell) reports House Speaker Nancy Pelosi “said Friday that \$350 billion in already-passed coronavirus legislation was not enough for small businesses, and she wants more money in next bill being developed now in the Democratic-run House.” Pelosi said in a CNBC interview, “I don’t think the 350 is enough for small business.” Pelosi “also called for ‘another direct payment’ to Americans for coronavirus economic relief, in addition to the \$1200 payment already approved for individuals making up to \$75,000 a year.” Pelosi “asked Treasury Secretary Steven Mnuchin to ‘please’ electronically transfer the direct payments, not wait and mail them later. Unemployment benefits should be granted for six months, not four months as in the past bill, she said.” The Hill (4/5, Carney) and The AP (4/3, Lemire, Kellman) also report.

**Trump Directs Cabinet To Find Ways To Ease Cash Crunch On US Oil Industry. (REU)**

Reuters (4/3, Kearney) reports President Trump “has directed his cabinet to find ways to ease a cash crunch in the drilling industry after oil company executives told him in a Friday meeting it was among their top concerns, according to three sources briefed on the matter.” Trump “hosted the White House meeting with executives from Exxon Mobil, Chevron Corp, Continental Resources and others as his government seeks to contain the fallout from an historic slump in oil prices that has threatened the industry with bankruptcies and layoffs.” Energy Secretary Dan Brouillette “told a broad industry conference call following Trump’s meeting with the oil executives that Trump had directed him to work with Treasury Secretary Steven Mnuchin to look for ways to immediately fix the energy industry’s ‘liquidity shock,’ according to sources who listened in on the call.”

**Maryland Governor Emerges As “Chief Spokesman” For Nation’s Governors Amid Coronavirus Pandemic. (WP)**

The Washington Post (4/5, Cox, Dawsey, Wiggins) reports, “As the virus’s infection rate has surged, so has [Maryland Gov. Larry] Hogan’s presence on the national news and talk shows he once shunned,” as he “has emerged as chief spokesman for the nation’s governors, offering a message equal parts sobering



and hopeful: This pandemic, he says, is worse and will last longer than anyone imagines, and America is going to get through it together.” The Post says, “The media blitz is driven partly by Hogan’s role as chair of the National Governors Association,” although “it’s also fueled by his unvarnished predictions of an impending catastrophe, his resolute explanations of why a mass shutdown is worth the economic cost, and his position as one of the few Republicans willing to question statements by President Trump and declare that the United States was ‘caught flat-footed.’” The Post notes Hogan “speaks directly with Treasury Secretary Steven Mnuchin about the economic fallout,” along with VP Pence and Dr. Anthony Fauci, and that he “has complained privately that it is hard to tell who is in charge.”

### **Decentralized WH Coronavirus Operation Raises Questions About Trump Administration Response. (HILL, POLITICO, NYT, REU)**

The Hill (4/4, Samuels) reported the rotating cast of officials “appearing behind President Trump to detail the government’s response to the coronavirus are leading to new criticisms that they reflect a scattered approach from the White House that too often leaves states fending for themselves.” Top Trump Administration officials “say the appearances by a broad range of administration officials shows the ‘all of government’ undertaken to combat the coronavirus.” But some current and former government officials “see a disconnected strategy where it can be unclear who’s in charge of what or whether there is a coordinated long-term plan.” Recently, “more than a dozen administration officials have appeared behind Trump at the daily briefings,” including Treasury Secretary Steven Mnuchin, who “touched on economic relief for businesses.” Politico (4/4, Zeitz) and The New York (NY) Times’ (4/3) daily “Dealbook” rundown provide similar coverage.

**Analysis: Infighting Caused Trump Administration To Delay Travel Restrictions.** Reuters (4/5, Eban) reports the Trump Administration “took a month from the time it learned of the [novel coronavirus] outbreak in late December to impose the initial travel restrictions amid furious infighting.” During “that time, the National Security Council staff, the state department and other federal agencies argued about everything from how best to screen for sick travelers to the economic impact of any restrictions, according to two government officials familiar with the deliberations.” Reuters says, “In meetings, Matthew Pottinger, deputy national security adviser and a China expert, met opposition from Treasury Secretary Steven Mnuchin and National Economic Council director Larry Kudlow.” Pottinger was reportedly “pleading with Mnuchin and others” to restrict travel, according to a former NSC official. The Hill (4/5, Coleman) also reports.

### **BROADCAST LINKS**

#### **Mnuchin Discusses Efforts To Save Small Businesses Amid Outbreak. (FOX)**

On Fox Business’ Lou Dobbs Tonight (4/3), Treasury Secretary Steven Mnuchin talked about what must be done to save small businesses in the US amid the coronavirus pandemic. Mnuchin also discussed the federal loan program that just took effect to provide aid for small businesses.

### **POLITICO MORNING MONEY**

**Kudlow live** — MM knows many of you have questions about the White House response to the coronavirus and are eager to hear current thinking on when and how the economy will be able to re-open as well as how efforts to aid small business are going (more on which below).

**The dark picture** — If you missed it, you can catch my piece on the Friday jobs report (much worse than expected but a trifle compared to the nightmare ahead in April) and broader economic issues.

The story posits that if some of the worst scenarios come to pass it will be very difficult for President Trump to win again. But it also notes his base is very strong and paths do exist for him to preside over a comeback narrative.

But there is mounting evidence that some of the initial bump Trump got for the coronavirus response is fading amidst stories like this WP one about the lost time before the White House leaped into action and as more death and economic pain pile up.

Trump is now under water for his response at 47 percent-52 percent in the ABC/Ipsos poll. He suggested at his Sunday evening presser that he saw “light at the end of the tunnel,” citing the small drop in the daily death toll in New York.

**Catching up with the Mooch** — MM spoke Friday with Anthony Scaramucci, the Wall Street money manager who served (very) briefly in the Trump White House before making a sharp break with the president.

He made the good point that the U.S. is facing something we haven’t seen: “We just haven’t had a crisis where all the dashboard lights are flashing. A financial crisis, a health care crisis, an oil shock and general panic. In 2020 you have all that going on at the same time.

“We need the administration to do well here. I do like the stimulus but I would like to see more helicopter money ... Each adult needs about \$3000 cash and \$1500 for kids. \$1200 and \$500 is a little light. ... If they’d moved faster and more aggressively we’d see better growth post-recovery.”

### **Driving the Day**

**DRIVING THE WEEK** — It’s probably not going to be a happy one. Via Reuters: “The United States on Sunday entered one of the most critical weeks so far in the coronavirus crisis, with government officials warning that the death toll in places such as New York, Michigan and Louisiana was a sign of trouble to come in other states.

“Still, governors of eight states resisted issuing stay-at-home orders aimed at slowing the spread of the respiratory disease, and some churches held large Palm Sunday services in defiance of such orders in their states.

“New York, the hardest-hit state, reported on Sunday that for the first time in a week, deaths had fallen slightly from the day before, but there were still nearly 600 new fatalities and more than 7,300 new cases. Places such as Pennsylvania, Colorado and Washington, D.C., are starting to see rising deaths.”

**CURRENT U.S. TOLL** — As of Sunday at 9:00 p.m., per Johns Hopkins: 337,274 cases; 9,633 deaths.

**STOCKS RISE ON VIRUS HOPES** — Via Bloomberg: “Asian stocks and U.S. futures advanced after the daily reported death tolls in some of the world’s coronavirus epicenters dropped on Sunday. Contracts on the S&P 500 Index climbed more than 3% at one point, and Japan’s benchmarks were up over 2%, snapping a five-day losing streak even as the country approaches a potential emergency declaration.

“The yen dropped along with Treasuries as haven demand receded. Crude oil prices slumped as uncertainty remains over a proposed meeting of supplier nations that is planned for April 9. Chinese markets are closed for a holiday Monday. Elsewhere, the pound dipped as U.K. Prime Minister Boris Johnson was admitted to hospital for tests after suffering from the coronavirus for 10 days”

### **Coronavirus effects**

**FIRST LOOK: CORDRAY RIPS KRANINGER** — Former CFPB director Richard Cordray today is set to release a paper on what the CFPB under Kathy Kraninger could and should be doing during the virus crisis.

From the paper: “The CFPB has been proceeding as if it is oblivious of the new and urgent risks facing consumers. The solution? Carefully monitor what’s going on in the market, stop foreclosures, watch mortgage servicers carefully, and ensure credit reports are protected, among other measures.” The paper will be live here by 7 a.m.



**CAP GAINS CUT?** — WP’s Jeff Stein: “White House officials have in recent days discussed pitching a payroll-tax cut, a capital-gains tax cut, creating 50-year Treasury bonds to lock in low interest rates, and a waiver that would clear businesses of liability from employees who contract the coronavirus on the job, according to two people with knowledge of internal White House deliberations”

**MM SIDEBAR**— This will be a good question for Kudlow: How would a capital gains cut help in this situation? The other stuff has been in the mix for a while but didn't make CARES 1.0.

**FAUCI VS. NAVARRO** — Axios’ Jonathan Swan reports on a big fight on Saturday “pitting economic adviser Peter Navarro against infectious disease expert Anthony Fauci. At issue: How enthusiastically should the White House tout the prospects of an antimalarial drug to fight COVID-19? This drama erupted into an epic Situation Room showdown.” Sounds a lot like Navarro’s fights with Gary Cohn over trade policy.

**TOUGH START FOR PPP** — CapAlpha’s Ian Katz: “The Friday launch of the Paycheck Protection Program (PPP) ... wasn’t smooth. Some banks were quick to offer the forgivable loans, others weren’t, and the guidelines they were using varied between lenders. ...

“The problems and inconsistencies will likely be worked out. But when? The answer will influence important decisions to come, such as what gets included in a Phase 4 (aka CARES 2) legislative package and when that happens.”

**WHY IT WILL BE TOUGH TO SNAP BACK FAST** — Deutsche Bank’s Torsten Slok: “Once the global economy reopens, we are likely to see changed behavior from households, corporates, and the government sector ... These behavioral changes are the reason why we will not get a V-shaped recovery, and there is not much fiscal policy can do about it.”

Also from Torsten: “A detailed look at the employment report for March shows that the first people to lose their jobs because of the coronavirus were low wage workers with less than a high school degree working in small businesses ... It remains to be seen how many will be hired back because of the SBA Paycheck Protection Program.”

**ICBA PRESSES ON PPP** — Our Zachary Warmbrodt: “The Independent Community Bankers of America is urging the Trump administration to take immediate action to address problems plaguing the launch of the \$350 billion small business lending program that got off to a rocky start Friday, with the lenders worried that their customers may miss out on the aid.”

**TRUMP SAYS HE’LL ASK CONGRESS FOR MORE SMALL BUSINESS FUNDS IF NEEDED** — Reuters: “Trump said on Saturday he would ask Congress for more money to make loans to small businesses struggling with the economic fallout from the coronavirus outbreak if the original \$349 billion allocated in a fiscal stimulus bill runs out.

“‘I will immediately ask Congress for more money to support small businesses under the @ppploan if the allocated money runs out,’ Trump wrote in a post on Twitter. The launch of the small business bailout fund has been rocky since it opened on Friday morning.”

**But startups are worried about being shut out** — WSJ’s Kate Davidson, Rolfe Winkler and Dave Michaels: “The Treasury Department issued new guidance aimed at expanding access to the emergency small-business lending program, but some in Silicon Valley say it falls short of ensuring startups will be able to get aid.

“Federal regulations can make it harder for companies with private-equity or venture-capital backers to qualify as small businesses because they can consider all firms controlled by a single investor as one entity under so-called affiliation rules.”

**BANKING GROUP WARNS OF ‘MASSIVE’ DELAYS** — Reuters’ Michelle Price: “Hundreds of U.S. lenders are struggling to access the technology system for distributing \$349 billion of government

rescue loans, while the pot of money is insufficient and will soon be expended, a top banking group warned over the weekend.”

**STATE SHUTDOWNS HAVE TAKEN AT LEAST A QUARTER OF ECONOMY OFFLINE** —

WSJ’s Josh Mitchell: “At least one-quarter of the U.S. economy has suddenly gone idle amid the coronavirus pandemic, an analysis conducted for The Wall Street Journal shows, an unprecedented shutdown of commerce that economists say has never occurred on such a wide scale.

“The study, by the economic-analysis firm Moody’s Analytics, offers one of the most comprehensive looks yet at how much of the world’s largest economy has shut down in the past three weeks.”

**FED’S BULLARD: ANOTHER STIMULUS MAY NOT BE NEEDED** — Reuters: “A top official at the U.S. Federal Reserve said on Sunday the \$2.3 trillion economic relief bill approved by Congress was appropriately sized and that a further relief effort may not be needed if support efforts are well executed.

“‘I felt like this one was well-sized for the situation,’ St. Louis Federal Reserve Bank President James Bullard told CBS’ ‘Face the Nation’ when asked if further legislation would be needed. ‘I think you’ve got the right amount of resources,’ he added. ‘The challenge is how are you going to get that to the right people that really have been disrupted. That’s the execution risk that you have here.’”

**HOW ECONOMISTS ARE TAKING ON THE COVID CRISIS** — NYT’s Eduardo Porter:

“Epidemiologists, virologists and other health experts are throwing everything they have at understanding the new coronavirus, hoping to develop treatments, vaccines and strategies to slow its spread and limit its toll. But economists, too, have broken from other work to explore what they can add to understanding a world upended by disease.”

**For Your Radar**

**FOCUS ON FINANCES** — Former Senator Mark Begich (D-AL), Former Representative Ed Royce (R-CA), and Travis Norton in a letter out today “The nation’s health crisis is our collective primary concern, but a financial crisis of unparalleled proportions is close on its heels. ...

“The big question for lawmakers and the agencies is how much leverage will be supplied and whether the resulting lending program’s eligibility rules and size will provide meaningful help to the majority of American businesses in every state and congressional district.”

**MORTGAGE SERVICERS ISSUE PLEA** — Per release from a broad coalition of organizations representing financial industry and affordable housing advocates: “It is ... incumbent upon the government to provide the final piece of the puzzle – a liquidity facility for single-family and multifamily servicers”

**ENGAGED** — Adam Elias, the head of government affairs at Barclays, and Julia Tishman, the director of federal government relations at TIAA, got engaged Saturday on the National Mall. Fret not — they wore masks and latex gloves. They celebrated with Red Hen takeout — the spot of their first date.



April 6, 2020

## Public Affairs Notes:

### This week:

- There are no public events to report for the remainder of the week. Updates will be provided as they become available.

### SECRETARY MENTIONS

#### **Trump Declares Rollout Of Small Business Loan Program Has Been “Flawless.” (BLOOM, REU, WP, AP, WSJ, FOXB, ABCNEWS, NYT, USAT, CBSNEWS, AXIOS, AMBNKR, FT, TECHCRCH, CNBC, POLITICO)**

Bloomberg (4/4, Mohsin, Jacobs) reported President Trump on Saturday “dismissed concerns about the rollout of a \$349 billion program to assist small businesses rocked by the coronavirus, saying loan distributions were “way ahead of schedule” even as banks struggle to respond to the flood of requests.” The President said, “It’s been flawless so far.” He continued, “Far beyond our expectations. I don’t even hear of any glitch.” Bloomberg says Treasury Secretary Steven Mnuchin on Friday “said over \$5.4 billion had been processed on the program’s first day, and promised that more lenders would be ready to accept applications next week.” Mnuchin tweeted Friday, “Thank you to everyone that participated in the launch of #Ppploans today! More lenders are expected to be available Monday. #CARESAct #SmallBusiness @SBAGov @USTreasury.”

Reuters (4/4, Brice) reports Trump “said on Saturday he would ask Congress for more money to make loans to small businesses struggling with the economic fallout from the coronavirus outbreak if the original \$349 billion allocated in a fiscal stimulus bill runs out.” Trump tweeted, “I will immediately ask Congress for more money to support small businesses under the #PPPloan if the allocated money runs out. So far, way ahead of schedule. @BankofAmerica & community banks are rocking! @SBAGov@USTreasury.”

***Frustration, Confusion Surround Rollout Of Stimulus Package.*** The Washington Post (4/5, Stein) reports the Administration has “stumbled in its initial push to implement the \$2 trillion coronavirus aid package, with confusion and fear mounting among small businesses, workers and the newly unemployed since the bill was signed into law late last month.” Small-business owners have complained of “delays in getting approved for loans without which they will close their doors, while others say they have been denied altogether by their lenders and do not understand why.” The Post quotes a statement from Assistant Treasury Secretary Monica Crowley: “Secretary Mnuchin takes very seriously his responsibility of executing the largest economic relief package in history to help American workers, families and businesses. The Secretary and the entire [Treasury] team are fully committed to the fast and successful implementation of the Cares Act to provide much-needed assistance to the American people.”

The AP (4/3, Sweet, Rosenberg, Foley) reported, “Many small business owners ran into bureaucratic or technological road blocks. Some even discovered their bank wasn’t yet prepared to accept applications, and when they tried another bank were told that only established customers were being accepted.” In spite of the stumbles, some business owners “did succeed in at least getting the process started. Bank of America alone said 75,000 small businesses had applied for \$7 billion of loans.” However, “it was unclear how much if any money had actually been sent to the businesses.” The AP said Treasury Secretary Steven Mnuchin addressed “such complaints” on Fox Business’ Lou Dobbs Tonight Friday, saying, “I know there were a lot of hard working small businesses that could not get their loans processed. There is plenty of time. There is a lot of money left.”

***Treasury Department Issues New Guidance For Loan Program.*** The Wall Street Journal (4/4, Davidson, Winkler, Michaels) reported the Treasury Department on Friday announced new guidance to help tech startups to access small business loans. However, the Journal says some tech companies warned the regulations are insufficient.

***Bank Executives Reached Out To Ivanka Trump Over Small Business Lending Program.*** Bloomberg (4/3, Sink, Jacobs) reported, “Bank executives concerned about the Trump administration’s rollout of a \$349 billion emergency small business lending program personally appealed to Ivanka Trump this week as they sought additional guidance and higher interest rates.” Bloomberg said their outreach “appeared to be at least partially effective. Ivanka Trump relayed to Treasury Secretary Steven Mnuchin and other administration officials requests to increase the interest rates on the forgivable, government-backed loans, and to make a greater effort to encourage community and regional banks to participate.” Bloomberg added that Mnuchin said Thursday, “I’ve told these bankers they should take all their traders and put them in the branches. There’ll never be another opportunity to earn five points on a 90-day fully government-guaranteed loan. To make this attractive for community banks, we’ve agreed to raise the interest rate.”

Fox Business (4/4, Gasparino), ABC News (4/3, Turner, Kolinovsky), The New York (NY) Times (4/3, Vogel, McCabe), USA Today (4/3, King), CBS News (4/3, Gandel, Cerullo), Axios (4/3, Treene), American Banker (4/3, Wack, Kline, Prior), The Financial Times (4/3, Noonan), TechCrunch (4/4, Shieber), CNBC (4/3, Iacurci), and Politico (4/3, Warmbrodt), among other outlets, also provide similar coverage.

### **Airlines Apply For Government Stimulus Grants As Demand Crashes From Coronavirus. (REU, CNBC, BIZINDER, USAT, NYT, BLOOM, POLITICO)**

Reuters (4/3, Rucinski, Shepardson) reports major passenger and cargo airlines in the US “applied on Friday for payroll grants from the U.S. Treasury meant to keep workers employed during a sharp downturn from the coronavirus, though the terms of any aid were still unclear and some warned that funds would not be enough to help them through their toughest crisis ever.” The passenger airlines say the billions in government grants and loans they can apply for will be just one source of funding through the coronavirus pandemic, along with more debt and spending cuts, as they are all “spending more cash every day than they are bringing in.” Meanwhile, the cargo carriers are also suffering a severe downturn “from disruption to global supply chains and high-margin business-to-business demand, even as ground-package delivery services increase.”

CNBC (4/3, Josephs, Hirsch) reports that while the airline industry in general is seeking the grants in order to maintain payrolls, “the approach of attaching warrants to the grants, not just the loans, was criticized by some industry members, labor unions and lawmakers.” For instance, the Regional Airline Association told Treasury Secretary Steven Mnuchin “and Transportation Secretary Elaine Chao on Monday that for smaller, regional airlines, any equity instrument could force worker furloughs.” The group wrote in its message, “Since most regional airlines do not have the ability to take on debt, access capital markets, or issue warrants or equity, any condition to do so would render these carriers unable to obtain assistance and force these carriers to immediately furlough tens of thousands of aviation employees.” Mnuchin “has said he wants taxpayers compensated for the investment, though he has not outlined those plans in great detail.”

Business Insider (4/3, Slotnick) reports the “provisions” in the CARES Act stimulus package require the “airlines to continue service while receiving the aid.” The Act declares airlines must “maintain scheduled air transportation service as the Secretary of Transportation deems necessary to ensure services to any point served by that carrier before March 1, 2020.” Business Insider says “the discretion given to the Secretary of Transportation, Elaine Chao,” by the Act is “an important provision” because “it requires



service to cities to be continued,” but at the same time “it’s left that open for interpretation based on perceived needs.”

USA Today (4/3, Woodyard) reports “some low-cost and regional airlines are pushing back against requirements of the federal stimulus package that force them to maintain a minimum level of service to certain destinations, saying having to fly nearly empty planes defeats the purpose of the bailout.” For example, Allegiant Air and Frontier Air both “say the Department of Transportation’s requirements under the measure intended to help airlines stay afloat despite a dearth of travel during the coronavirus pandemic punish no-frills carriers like themselves by forcing them to offer flights they know will be mostly empty.” In another story, USA Today (4/3, Ellis) reports “some of the nation’s busiest airports have shuttered concourses, gates and runways in the last month to cope with a significant decline in travel during the coronavirus pandemic.”

***Democratic Lawmakers Press Treasury To Quickly Move Forward With Airline Bailout.*** The New York Times (4/5, Rappeport) reports, “Top Democratic lawmakers have urged Treasury Secretary Steven Mnuchin to quickly provide American airlines with direct payroll assistance and to avoid insisting on overly restrictive terms that could deter companies from taking the money.” According to the Times, “there is growing concern” within the airline industry that Mnuchin will “demand strict terms to ensure that taxpayers are compensated, such as large equity stakes in the companies.” Democrats are worried that if Mnuchin “drives too hard of a bargain, airlines will balk and lay off more workers.” In a letter to Mnuchin dated April 3, House Speaker Pelosi and Senate Minority Leader Schumer “warned that it would not be in the public interest if the airlines chose to declare bankruptcy.” Bloomberg (4/6, House), CNBC (4/5, Hirsch, Josephs), Reuters (4/5, Shepardson), and Politico (4/3, Mintz), among other outlets, also report.

### **Treasury Riddled With Vacancies As It Deals With Economic Crisis. (BLOOM)**

Bloomberg (4/4, Mohsin, Schmidt) reported that “as it confronts the worst economic disaster since the 2008 financial crisis, the Treasury Department is riddled with vacancies among its political appointments.” Seven of the “20 Senate confirmed roles reporting to the secretary” are unfilled, while “four are occupied by acting officials.” Bloomberg adds, “The domestic finance unit, which should be handling the brunt of the work related to the coronavirus outbreak, is particularly empty.” As Treasury’s “work becomes increasingly urgent due to the coronavirus, officials have reached out for advice to a number of ex-Treasury staff members who were instrumental in fighting the last financial crisis in 2008 and 2009, according to people familiar with the matter.” Moreover, Treasury Secretary Steven Mnuchin is “considering bringing in people with experience in the markets and investment banking to assist, and the Treasury is also contracting out some work.”

### **“Boutique Banks” Seek Relief Loan Distribution Role. (BLOOM)**

Bloomberg (4/3, Basak) reports on lobbying efforts by “boutique banks” in the wake of the \$2.2 trillion coronavirus relief package. Such banks are seeking roles in distributing “loans that are part of [the] historic rescue package. ... For banks, the roles are more about the prestige than money.” Treasury Secretary Steven Mnuchin “said Thursday that there would be no big fees for banks. ... Boutique banks have fewer conflicts than larger banks, mostly because they don’t lend.”

### **Outdated IRS Technology Could Delay Stimulus Checks, Experts Say. (USAT)**

USA Today (4/4, Collins) reported Treasury Secretary Steven Mnuchin is “promising that millions of Americans will receive \$1,200 stimulus checks in just two weeks, but some tax experts and congressional officials are warning it may take much longer.” According to experts, “antiquated technology and staff reductions at the Internal Revenue Service have seriously hampered the agency’s ability to process checks

in such a short period and could mean delays in sending the money to anxious Americans who are counting on the cash to get them through hard times caused by the coronavirus pandemic.”

### **Democrats Criticize Trump’s Pick For Coronavirus Recovery Watchdog Role. (REU, ABCNEWS, BLOOM, VOX, WSJ, POLITICO, WP, NSWK)**

Reuters (4/4, Brice) reported President Trump’s “pick for the new watchdog overseeing \$2.3 trillion in coronavirus-related fiscal spending is not independent enough to do the job, congressional Democrats said on Saturday.” The White House “said late on Friday Trump would nominate Brian Miller, a special assistant to the president and senior associate counsel in the Office of White House Counsel, to the role of special inspector general for pandemic recovery.” House Speaker Nancy Pelosi said in a statement: “The Inspector General providing oversight of the federal response of this historic relief package for workers and families must be independent from politics.” Reuters said the new position, “which comes with a \$25 million budget, was created to ‘conduct, supervise, and coordinate audits and investigations of the making, purchase, management, and sale of loans, loan guarantees, and other investments’ by Treasury Secretary Steven Mnuchin.” ABC News (4/4, Siegel), Bloomberg (4/3, Grotto, Shields), Vox (4/5, van Wagtendonk), The Wall Street Journal (4/3, Leary), Politico (4/3, Cheney), The Washington (DC) Post (4/3, Stein), and Newsweek (4/3, Touchberry) also report.

### **Pelosi Pushing For More Small Business, Individual Relief In Next Coronavirus Legislation. (REU, HILL, AP)**

Reuters (4/3, Cornwell) reports House Speaker Nancy Pelosi “said Friday that \$350 billion in already-passed coronavirus legislation was not enough for small businesses, and she wants more money in next bill being developed now in the Democratic-run House.” Pelosi said in a CNBC interview, “I don’t think the 350 is enough for small business.” Pelosi “also called for ‘another direct payment’ to Americans for coronavirus economic relief, in addition to the \$1200 payment already approved for individuals making up to \$75,000 a year.” Pelosi “asked Treasury Secretary Steven Mnuchin to ‘please’ electronically transfer the direct payments, not wait and mail them later. Unemployment benefits should be granted for six months, not four months as in the past bill, she said.” The Hill (4/5, Carney) and The AP (4/3, Lemire, Kellman) also report.

### **Trump Directs Cabinet To Find Ways To Ease Cash Crunch On US Oil Industry. (REU)**

Reuters (4/3, Kearney) reports President Trump “has directed his cabinet to find ways to ease a cash crunch in the drilling industry after oil company executives told him in a Friday meeting it was among their top concerns, according to three sources briefed on the matter.” Trump “hosted the White House meeting with executives from Exxon Mobil, Chevron Corp, Continental Resources and others as his government seeks to contain the fallout from an historic slump in oil prices that has threatened the industry with bankruptcies and layoffs.” Energy Secretary Dan Brouillette “told a broad industry conference call following Trump’s meeting with the oil executives that Trump had directed him to work with Treasury Secretary Steven Mnuchin to look for ways to immediately fix the energy industry’s ‘liquidity shock,’ according to sources who listened in on the call.”

### **Maryland Governor Emerges As “Chief Spokesman” For Nation’s Governors Amid Coronavirus Pandemic. (WP)**

The Washington Post (4/5, Cox, Dawsey, Wiggins) reports, “As the virus’s infection rate has surged, so has [Maryland Gov. Larry] Hogan’s presence on the national news and talk shows he once shunned,” as he “has emerged as chief spokesman for the nation’s governors, offering a message equal parts sobering and hopeful: This pandemic, he says, is worse and will last longer than anyone imagines, and America is



going to get through it together.” The Post says, “The media blitz is driven partly by Hogan’s role as chair of the National Governors Association,” although “it’s also fueled by his unvarnished predictions of an impending catastrophe, his resolute explanations of why a mass shutdown is worth the economic cost, and his position as one of the few Republicans willing to question statements by President Trump and declare that the United States was ‘caught flat-footed.’” The Post notes Hogan “speaks directly with Treasury Secretary Steven Mnuchin about the economic fallout,” along with VP Pence and Dr. Anthony Fauci, and that he “has complained privately that it is hard to tell who is in charge.”

### **Decentralized WH Coronavirus Operation Raises Questions About Trump Administration Response. (HILL, POLITICO, NYT, REU)**

The Hill (4/4, Samuels) reported the rotating cast of officials “appearing behind President Trump to detail the government’s response to the coronavirus are leading to new criticisms that they reflect a scattered approach from the White House that too often leaves states fending for themselves.” Top Trump Administration officials “say the appearances by a broad range of administration officials shows the ‘all of government’ undertaken to combat the coronavirus.” But some current and former government officials “see a disconnected strategy where it can be unclear who’s in charge of what or whether there is a coordinated long-term plan.” Recently, “more than a dozen administration officials have appeared behind Trump at the daily briefings,” including Treasury Secretary Steven Mnuchin, who “touched on economic relief for businesses.” Politico (4/4, Zeitz) and The New York (NY) Times’ (4/3) daily “Dealbook” rundown provide similar coverage.

***Analysis: Infighting Caused Trump Administration To Delay Travel Restrictions.*** Reuters (4/5, Eban) reports the Trump Administration “took a month from the time it learned of the [novel coronavirus] outbreak in late December to impose the initial travel restrictions amid furious infighting.” During “that time, the National Security Council staff, the state department and other federal agencies argued about everything from how best to screen for sick travelers to the economic impact of any restrictions, according to two government officials familiar with the deliberations.” Reuters says, “In meetings, Matthew Pottinger, deputy national security adviser and a China expert, met opposition from Treasury Secretary Steven Mnuchin and National Economic Council director Larry Kudlow.” Pottinger was reportedly “pleading with Mnuchin and others” to restrict travel, according to a former NSC official. The Hill (4/5, Coleman) also reports.

### **BROADCAST LINKS**

#### **Mnuchin Discusses Efforts To Save Small Businesses Amid Outbreak. (FOX)**

On Fox Business’ Lou Dobbs Tonight (4/3), Treasury Secretary Steven Mnuchin talked about what must be done to save small businesses in the US amid the coronavirus pandemic. Mnuchin also discussed the federal loan program that just took effect to provide aid for small businesses.

### **POLITICO MORNING MONEY**

**Kudlow live** — MM knows many of you have questions about the White House response to the coronavirus and are eager to hear current thinking on when and how the economy will be able to re-open as well as how efforts to aid small business are going (more on which below).

**The dark picture** — If you missed it, you can catch my piece on the Friday jobs report (much worse than expected but a trifle compared to the nightmare ahead in April) and broader economic issues.

The story posits that if some of the worst scenarios come to pass it will be very difficult for President Trump to win again. But it also notes his base is very strong and paths do exist for him to preside over a comeback narrative.

But there is mounting evidence that some of the initial bump Trump got for the coronavirus response is fading amidst stories [like this WP](#) one about the lost time before the White House leaped into action and as more death and economic pain pile up.

Trump is [now under water for his response](#) at 47 percent-52 percent in the ABC/Ipsos poll. He suggested at his Sunday evening presser that he saw “light at the end of the tunnel,” citing the small drop in the daily death toll in New York.

**Catching up with the Mooch** — MM spoke Friday with Anthony Scaramucci, the Wall Street money manager who served (very) briefly in the Trump White House before making a sharp break with the president.

He made the good point that the U.S. is facing something we haven’t seen: “We just haven’t had a crisis where all the dashboard lights are flashing. A financial crisis, a health care crisis, an oil shock and general panic. In 2020 you have all that going on at the same time.

“We need the administration to do well here. I do like the stimulus but I would like to see more helicopter money ... Each adult needs about \$3000 cash and \$1500 for kids. \$1200 and \$500 is a little light. ... If they’d moved faster and more aggressively we’d see better growth post-recovery.”

### **Driving the Day**

**DRIVING THE WEEK** — It’s probably not going to be a happy one. [Via Reuters](#): “The United States on Sunday entered one of the most critical weeks so far in the coronavirus crisis, with government officials warning that the death toll in places such as New York, Michigan and Louisiana was a sign of trouble to come in other states.

“Still, governors of eight states resisted issuing stay-at-home orders aimed at slowing the spread of the respiratory disease, and some churches held large Palm Sunday services in defiance of such orders in their states.

“New York, the hardest-hit state, reported on Sunday that for the first time in a week, deaths had fallen slightly from the day before, but there were still nearly 600 new fatalities and more than 7,300 new cases. Places such as Pennsylvania, Colorado and Washington, D.C., are starting to see rising deaths.”

**CURRENT U.S. TOLL** — As of Sunday at 9:00 p.m., per Johns Hopkins: 337,274 cases; 9,633 deaths.

**STOCKS RISE ON VIRUS HOPES** — [Via Bloomberg](#): “Asian stocks and U.S. futures advanced after the daily reported death tolls in some of the world’s coronavirus epicenters dropped on Sunday. Contracts on the S&P 500 Index climbed more than 3% at one point, and Japan’s benchmarks were up over 2%, snapping a five-day losing streak even as the country approaches a potential emergency declaration.

“The yen dropped along with Treasuries as haven demand receded. Crude oil prices slumped as uncertainty remains over a proposed meeting of supplier nations that is planned for April 9. Chinese markets are closed for a holiday Monday. Elsewhere, the pound dipped as U.K. Prime Minister Boris Johnson was admitted to hospital for tests after suffering from the coronavirus for 10 days”

### **Coronavirus effects**

**FIRST LOOK: CORDRAY RIPS KRANINGER** — Former CFPB director Richard Cordray today is set to release a paper on what the CFPB under Kathy Kraninger could and should be doing during the virus crisis.

From the paper: “The CFPB has been proceeding as if it is oblivious of the new and urgent risks facing consumers. The solution? Carefully monitor what’s going on in the market, stop foreclosures, watch



mortgage servicers carefully, and ensure credit reports are protected, among other measures.” The paper will be live here by 7 a.m.

**CAP GAINS CUT?** — WP’s Jeff Stein: “White House officials have in recent days discussed pitching a payroll-tax cut, a capital-gains tax cut, creating 50-year Treasury bonds to lock in low interest rates, and a waiver that would clear businesses of liability from employees who contract the coronavirus on the job, according to two people with knowledge of internal White House deliberations”

**MM SIDEBAR**— This will be a good question for Kudlow: How would a capital gains cut help in this situation? The other stuff has been in the mix for a while but didn’t make CARES 1.0.

**FAUCI VS. NAVARRO** — Axios’ Jonathan Swan reports on a big fight on Saturday “pitting economic adviser Peter Navarro against infectious disease expert Anthony Fauci. At issue: How enthusiastically should the White House tout the prospects of an antimalarial drug to fight COVID-19? This drama erupted into an epic Situation Room showdown.” Sounds a lot like Navarro’s fights with Gary Cohn over trade policy.

**TOUGH START FOR PPP** — CapAlpha’s Ian Katz: “The Friday launch of the Paycheck Protection Program (PPP) ... wasn’t smooth. Some banks were quick to offer the forgivable loans, others weren’t, and the guidelines they were using varied between lenders. ...

“The problems and inconsistencies will likely be worked out. But when? The answer will influence important decisions to come, such as what gets included in a Phase 4 (aka CARES 2) legislative package and when that happens.”

**WHY IT WILL BE TOUGH TO SNAP BACK FAST** — Deutsche Bank’s Torsten Slok: “Once the global economy reopens, we are likely to see changed behavior from households, corporates, and the government sector ... These behavioral changes are the reason why we will not get a V-shaped recovery, and there is not much fiscal policy can do about it.”

Also from Torsten: “A detailed look at the employment report for March shows that the first people to lose their jobs because of the coronavirus were low wage workers with less than a high school degree working in small businesses ... It remains to be seen how many will be hired back because of the SBA Paycheck Protection Program.”

**ICBA PRESSES ON PPP** — Our Zachary Warmbrodt: “The Independent Community Bankers of America is urging the Trump administration to take immediate action to address problems plaguing the launch of the \$350 billion small business lending program that got off to a rocky start Friday, with the lenders worried that their customers may miss out on the aid.”

### **TRUMP SAYS HE’LL ASK CONGRESS FOR MORE SMALL BUSINESS FUNDS IF NEEDED**

— Reuters: “Trump said on Saturday he would ask Congress for more money to make loans to small businesses struggling with the economic fallout from the coronavirus outbreak if the original \$349 billion allocated in a fiscal stimulus bill runs out.

“‘I will immediately ask Congress for more money to support small businesses under the @ppploan if the allocated money runs out,’ Trump wrote in a post on Twitter. The launch of the small business bailout fund has been rocky since it opened on Friday morning.”

**But startups are worried about being shut out** — WSJ’s Kate Davidson, Rolfe Winkler and Dave Michaels: “The Treasury Department issued new guidance aimed at expanding access to the emergency small-business lending program, but some in Silicon Valley say it falls short of ensuring startups will be able to get aid.

“Federal regulations can make it harder for companies with private-equity or venture-capital backers to qualify as small businesses because they can consider all firms controlled by a single investor as one entity under so-called affiliation rules.”

**BANKING GROUP WARNS OF ‘MASSIVE’ DELAYS** — Reuters’ Michelle Price: “Hundreds of U.S. lenders are struggling to access the technology system for distributing \$349 billion of government rescue loans, while the pot of money is insufficient and will soon be expended, a top banking group warned over the weekend.”

**STATE SHUTDOWNS HAVE TAKEN AT LEAST A QUARTER OF ECONOMY OFFLINE** — WSJ’s Josh Mitchell: “At least one-quarter of the U.S. economy has suddenly gone idle amid the coronavirus pandemic, an analysis conducted for The Wall Street Journal shows, an unprecedented shutdown of commerce that economists say has never occurred on such a wide scale.

“The study, by the economic-analysis firm Moody’s Analytics, offers one of the most comprehensive looks yet at how much of the world’s largest economy has shut down in the past three weeks.”

**FED’S BULLARD: ANOTHER STIMULUS MAY NOT BE NEEDED** — Reuters: “A top official at the U.S. Federal Reserve said on Sunday the \$2.3 trillion economic relief bill approved by Congress was appropriately sized and that a further relief effort may not be needed if support efforts are well executed.

“‘I felt like this one was well-sized for the situation,’ St. Louis Federal Reserve Bank President James Bullard told CBS’ ‘Face the Nation’ when asked if further legislation would be needed. ‘I think you’ve got the right amount of resources,’ he added. ‘The challenge is how are you going to get that to the right people that really have been disrupted. That’s the execution risk that you have here.’”

**HOW ECONOMISTS ARE TAKING ON THE COVID CRISIS** — NYT’s Eduardo Porter: “Epidemiologists, virologists and other health experts are throwing everything they have at understanding the new coronavirus, hoping to develop treatments, vaccines and strategies to slow its spread and limit its toll. But economists, too, have broken from other work to explore what they can add to understanding a world upended by disease.”

#### **For Your Radar**

**FOCUS ON FINANCES** — Former Senator Mark Begich (D-AL), Former Representative Ed Royce (R-CA), and Travis Norton in a letter out today “The nation’s health crisis is our collective primary concern, but a financial crisis of unparalleled proportions is close on its heels. ...

“The big question for lawmakers and the agencies is how much leverage will be supplied and whether the resulting lending program’s eligibility rules and size will provide meaningful help to the majority of American businesses in every state and congressional district.”

**MORTGAGE SERVICERS ISSUE PLEA** — Per release from a broad coalition of organizations representing financial industry and affordable housing advocates: “It is ... incumbent upon the government to provide the final piece of the puzzle – a liquidity facility for single-family and multifamily servicers”

**ENGAGED** — Adam Elias, the head of government affairs at Barclays, and Julia Tishman, the director of federal government relations at TIAA, got engaged Saturday on the National Mall. Fret not — they wore masks and latex gloves. They celebrated with Red Hen takeout — the spot of their first date.



**From:** (b)(6)  
**Sent:** Tue, 7 Apr 2020 08:50:07 -0400  
**To:** Undisclosed recipients:  
**Subject:** 04-07-2020 PA Senior Staff Notes  
**Attachments:** 04-07-2020 PA Senior Staff Notes.docx

April 7, 2020

**Public Affairs Notes:**

**This week:**

- **There are no public events to report for the remainder of the week. Updates will be provided as they become available.**

**SECRETARY MENTIONS**

**Small-Business Relief Rollout “Marred By Confusion” As SBA Platform Reportedly Crashes. (USAT, REU, HILL, BLOOM, POLITICO, BOSGLOBE, FT)**

USA Today (4/6, Davidson) reports the Treasury Department and SBA “allowed firms with less than 500 employees to start applying for the loans on Friday, but the early rollout has been marred by confusion, technical glitches and banks’ own loan volume limits.”

Reuters (4/6, Schroeder) reports, “The platform the U.S. Small Business Administration uses to process relief loan applications from small businesses crashed for several hours Monday, according to three banking sources.” The sources said “banks have been unable to submit applications to the \$350 billion program since it crashed around noon on Monday, and the portal was still down later in the afternoon.” However, in a separate article, Reuters (4/6, Schroeder) reports “it is ‘not accurate’ that banks were unable to submit small business relief loan applications after the Small Business Administration’s portal crashed, according to a senior administration official.” The unnamed official said, “SBA continues to process/approve/guarantee billions of dollars in loans and continues to add lenders to the system.”

The Hill (4/6, Gangitano) reports the American Bankers Association said, following a meeting Sunday with Treasury Secretary Steven Mnuchin and other officials from Treasury and SBA, “SBA officials emphasized that they have been balancing security and speed in providing access to the systems that allow banks to make PPP loans.”

Bloomberg (4/6, Niquette) reports the Independent Community Bankers of America “sent a letter to SBA and Treasury late Saturday night complaining about the technology and a ‘myriad of unanswered questions and lack of clear instruction on how to complete loans through the SBA.’” The group “made several recommendations, including enhancing SBA systems.”

Politico (4/6, Warmbrodt) reports, “As lenders continued to report issues, banks received word that the Fed was intervening to help backstop the program, as it has done across financial markets throughout the Covid-19 pandemic. The Fed announced that it planned to provide financing to banks that issue the loans.” Politico says that over the past week, “small banks in particular urged the Fed and Treasury Department to come up with a mechanism to buy the loans off banks’ books to help free up lending capacity.”

***Senators Push Mnuchin, Carranza To Address Small Business Relief Rollout Problems.*** The Boston Globe (4/6, Nanos, Leung) reports Massachusetts Sens. Elizabeth Warren (D) and Ed Markey (D) “submitted a letter to Treasury Secretary Steve Mnuchin Monday criticizing the rollout of the SBA loan

plan, and expressing concern that the funds allocated in the Payroll Protection Program will be quickly depleted.” The senators wrote, “As the program went live last week, issues with the program immediately became clear,” citing reports of numerous delays at large banks. They add, “We urge you to move quickly to issue additional guidelines and clarifications to ensure that loans are disbursed quickly. ... The ability of small businesses to access this money in a matter of days could determine whether or not they will need to shut their doors to their employees and customers forever.”

The Financial Times (4/7, Noonan, Armstrong) reports the letter was sent to Mnuchin and SBA head Jovita Carranza, and that Sen. Rick Scott (R-FL) also wrote Mnuchin and Carranza on Saturday regarding problems with the loans.

#### **Airlines Discuss Terms Of Bailout With Treasury Department. (WP, REU)**

The Washington (DC) Post (4/6, Aratani, Duncan) reports “more than a half-dozen US carriers,” including American Airlines, United Airlines, Delta Air Lines, Southwest Airlines, JetBlue Airways, Alaska Airlines, and Spirit Airlines, have submitted applications for a portion of the \$29 billion in grants for passenger airlines to be distributed by the Treasury Department. The Post says the grants do “not come without strings,” as airlines would not be allowed to furlough workers until September 30, would not be allowed to issue dividends or buy back stock until the end of 2021, and they would be required to maintain service levels “as far out as 2022.” The carriers “will now work with the Treasury Department to negotiate the terms of a possible deal.” The Post says labor groups and Democratic lawmakers have suggested that airlines may choose to reject taking the funds allocated in the CARES Act if the Trump Administration places harsh conditions on taking the money.

**RavnAir Files For Bankruptcy.** Reuters (4/6, Shepardson) reports RavnAir, the largest regional carrier in Alaska, filed for Chapter 11 bankruptcy protection on Sunday, announcing that it was suspending all operations and laying off all of its employees. The airline said it “took these actions to ensure our airline has a future, and to give us time to ‘hit pause’” while the airline seeks access to the airline grants awarded by the Treasury Department and “other sources of financial assistance that will allow us to weather the coronavirus pandemic and emerge successfully once it has passed.” In a letter, RavnAir CEO Dave Pflieger said the airline was working to “resume the vital air service you depend on to get home to your families, to your businesses, to medical appointments, and to other duties that are essential to our communities and the state of Alaska.”

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#### **MAJOR DEPARTMENT MENTIONS**

##### **Election Assistance Commission Speeds Up Process To Get States Funding. (HILL)**

The Hill (4/6, Miller) reports the Election Assistance Commission (EAC) "is speeding up the process of sending recently appropriated funds to states to help bolster elections during the coronavirus pandemic." The EAC "announced late last week that it planned to send funding to states that they can use for measures such as boosting mail-in and absentee voting, along with hiring more poll workers and buying sanitization supplies, by the end of next week." EAC commissioners "noted that both the Treasury Department and the Office of Management and Budget had been assisting in the effort to get the money to states, as postponed primaries loom and state officials increasingly scramble to make preparations to allow the elections to continue."

#### **POLITICO MORNING MONEY**

**Markets go risk on** — All three major stock indices surged over 7 percent on some positive signs that lock-downs in Europe and the U.S. may be slowing the rise of Covid-19 cases. All three remain about 20 percent below their peaks hit in February, which is still bear market territory but just barely.

The jumps came even as former Fed chair Janet Yellen warned of a "devastating hit" to the economy and a drop in second quarter GDP of 30 percent or more; U.K. Prime Minister Boris Johnson entered intensive care for Covid-19; And JPMorganChase CEO Jamie Dimon told shareholders to expect "a bad recession combined with some kind of financial stress similar to the global financial crisis of 2008."

**So why the rally?** Some Wall Street analysts are taking the encouraging coronavirus news to suggest we could avoid a long recession, meaning stocks might truly have hit bottom on March 23 when the Dow closed at 18,591.

Andrew Slimmon of Morgan Stanley Investment Management on a company podcast: "We can conclude that the equity market is pricing a deep, but more importantly, a short recession. ... We can check the



boxes to conclude that likely March 23 was the initial panic low. ... I expect some retest of the lows. They call the retest phase the 'demoralization phase.'"

**No guarantee we won't go lower** — Steven Ricchiuto US Chief Economist at Mizuho Americas: "My contention that the markets have already put in a bottom is about to get tested. Not only have the markets been warned that the next two weeks will be difficult from the coronavirus perspective, but we are also entering what is sure to be an extremely difficult earnings season."

### **Driving the Day**

Larry Kudlow speaks with MM at 9:00 a.m. ... Treasury Secretary Steven Mnuchin is on Fox Business at 8:30 a.m. ... The Meridian International Center holds webinar at 11 a.m. with Senior Counselor to the President Kellyanne Conway ... Small business optimism at 6:00 a.m. expected to take a giant plunge

### **Coronavirus effects**

**GOVS SEEM SOME CURVE FLATTENING** — Our Nolan D. McCaskill: "The number of coronavirus infections and deaths continue to mount across the United States, but governors in some of the nation's hotspots said ... they see glimmers of hope in the latest data on the pandemic — evidence the rigid social distancing measures states have mandated are helping slow the spread of the virus."

"In New York, home to by far the largest outbreak in the country, more than 130,000 people have now tested positive for Covid-19 ... The number of fatalities ... has been 'effectively flat for two days,' New York Gov. Andrew Cuomo said ... New Jersey now has the second-worst outbreak of the virus ... But Gov. Phil Murphy tweeted Monday that New Jersey's curve is also flattening."

**FOR YOUR CALENDAR POWELL TO SPEAK THURSDAY** — Fed Chair Jay Powell will talk about the central bank's actions and do a Q&A hosted by Brookings on Thursday at 10:00 a.m.

**FASTEST BEAR MARKET EVER** — Leuthold's Jim Paulsen: "This has been a speedy Bear Market. Measured through the first 22 days of all bear markets in post-war history, the contemporary bear market declined by almost 6.5 times more than all the others!"

"In 2020, the market dropped 32% in 22 days versus an average of just -5.1 for the previous 13 bear markets. ... We also believe a re-test, or multiple re-tests of the recent stock market low, is likely, and it could well establish a new crisis low as it often has in the past."

**FED STEPS UP AGAIN** — Our Zachary Warmbrodt: "The Federal Reserve said ... it will provide financing to banks issuing loans to small businesses under the government's \$350 billion bailout program, addressing a key request by lenders struggling to make the federally backed loans. ... Banks have been asking the Trump administration to have the Fed buy the loans off their books to help maintain lending capacity."

Cowen's Jaret Seiberg: "We believe this is a positive step as we have been unsure if banks could keep originating Paycheck Protection loans without liquidity from the Federal Reserve."

RSM's Joe Brusuelas: "In our estimation this move represents a de-facto rescue of the Trump administration's signature \$350 billion program which has experienced at best a tenuous and difficult launch over the past few days."

**STILL, PROBLEMS PERSIST** — Also via Zach: "Banks ... struggled to assist thousands of small businesses vying for \$350 billion in government-backed loans as lenders reported that a Small Business Administration system used to process the applications was crashing."

"The small business aid program — a crucial part of the government's record \$2 trillion plan to rescue the economy from the coronavirus pandemic — has been snarled since it was launched Friday in large part because of technical problems with the SBA's "E-Tran" system, which banks must use to authorize the loans. ... This week will be the biggest test yet for the so-called Paycheck Protection Program."

**Trump said at his presser that JPMorganChase** is now on board, joining Bank of America and others, after initially saying it wasn't ready to offer loans through the program. ... He also said he had a warm chat with former VP Joe Biden about the virus response, which is a pretty remarkable thing. Then he yelled at reporters for quite a long time.

**SCHUMER PICKS BAILOUT WATCHDOG** — Our Marianne LeVine and Kyle Cheney: “Senate Minority Leader Chuck Schumer will appoint Bharat Ramamurti, a former Elizabeth Warren aide, to a newly created panel meant to police the Trump administration's handling of a \$500 billion coronavirus relief fund. Schumer described Ramamurti on Monday as ‘ferocious in his desire to protect the public from abuse.’ ...

“Ramamurti was a top economic adviser to Warren during the Massachusetts Democrat's presidential campaign, as well as senior counsel for banking and economic policy in her personal Senate office.”

**BORIS JOHNSON IN INTENSIVE CARE** — Our Charlie Cooper in London: “Boris Johnson was moved to intensive care in hospital this evening, 24 hours after being admitted with Covid-19. A No. 10 spokesperson said the prime minister's condition had worsened over the course of this afternoon and that he has been moved to the intensive care unit at London's St Thomas' Hospital.”

**DEMS DEMAND CONSUMER PROTECTIONS** — Our Katy O'Donnell: “Top Senate Democrats are calling on financial regulators to crack down on predatory lending practices during the economic crisis caused by the coronavirus.”

**BANKS WARN TREASURY AGAINST MAILING STIMULUS CHECKS** — Also via Zach: “Banks are urging the Treasury Department to distribute coronavirus stimulus money electronically and to avoid mailing millions of paper checks that could become a huge source of fraud and force Americans to leave their homes to deposit the funds”

**FIRST LOOK: CUT MORE REGS?** — CEI is out today with a report “that identifies #neverneeded regulations lawmakers should get rid of so the private sector can do what it does best – provide people with the goods and services they need now more than ever.”

**HUAWEI SENDS MASKS TO CANADA** — Via The Globe and Mail: “Chinese telecommunications giant Huawei is quietly flying millions of masks to Canada, as health authorities and hospitals struggle to acquire adequate safety equipment for medical workers dealing with the deadly coronavirus outbreak.”

**ITALY ADDS MORE FIREPOWER** — Our Giorgio Leali: “Italy ... adopted a new package of economic measures including the strengthening of anti-takeover rules, and public guarantees for €400 billion-worth of loans and investments to help business. ... Rome will guarantee up to 90 percent of loans to businesses for €200 billion via the public owned export credit agency SACE, Finance Minister Roberto Gualtieri explained.”

## Markets

**WALL STREET LEAPS 7 PERCENT** — AP's Stan Choe and Alex Veiga: “Investors grabbed hold of a few glimmers of hope ... that the coronavirus pandemic could be slowing and sent stocks surging in a worldwide rally, capped by a 7% leap for the U.S. market. The number of new coronavirus cases is dropping in the European hotspots of Italy and Spain.

“The center of the U.S. outbreak, New York, also reported its number of daily deaths has been effectively flat for two days. Even though the U.S. is still bracing for a surge of deaths due to COVID-19 and New York's governor said restrictions should stay in place to slow its spread, the encouraging signs were enough to launch the S&P 500 to its best day in nearly two weeks.”

**CORONAVIRUS MUDDIES U.S. ECONOMIC DATA** — Reuters' Lucia Mutikani: “A near total closure of U.S. businesses as authorities try to control the spread of the novel coronavirus could make



U.S. economic data unreliable in the coming months and harder to get a clearer picture of the severity of the recession caused by the virus.”

**CRISIS REVEALS CRACKS IN EUROPE’S SHARED CURRENCY** — AP’s David McHugh: “The virus outbreak is exposing cracks in the foundation of Europe’s 21-year-old shared currency and festering animosities among its members, even as governments struggle to come up with a unified response where success or failure could mark the continent’s politics for years to come.”

### **Fly Around**

**U.S. NOWHERE CLOSE TO REOPENING ECONOMY** — NYT’s Jim Tankersley: “How long can we keep this up? It is still very early in the U.S. effort to snuff a lethal pandemic by shutting down much of the economy. But there is a growing question — from workers, the White House, corporate boardrooms and small businesses on the brink — that hangs over what is essentially a war effort against a virus that has already killed more than 9,000 Americans. There is no good answer yet, in part because we don’t even have the data needed to formulate one.”

**BIG BANKS FAVOR CERTAIN CUSTOMERS IN SMALL BUSINESS LOAN PROGRAM** — WSJ’s Ruth Simon and Peter Rudegeair: “Griff Neal set his alarm for 3 a.m. on Friday so he could be among the first to apply for a loan under a new federal program designed to help small businesses weather the coronavirus pandemic.

Bank of America Corp. turned him away that same morning. The reason: The auto-parts supplier he runs, Encap Technologies Inc., hadn’t borrowed from the bank before. ‘I was literally floored,’ said Mr. Neal, the company’s president. Encap, he said, has had checking and savings accounts with Bank of America for two decades, and the bank manages its employee retirement accounts.”

### **For Your Radar**

**FORMER OBAMA AIDE JOINS GOLDMAN** — Per Goldman Sachs memo from CEO David Solomon: “We are pleased to announce that Kathryn H. Ruemmler will join the firm this month as global head of Regulatory Affairs and a member of the Management Committee. ... Kathy rejoined Latham & Watkins in 2014 after serving for almost six years in the Administration of US President Barack Obama.”

**BLACKSTONE ANCHORS COVID FUND** — Per Blackstone: “Gov Cuomo announced during his daily press conference that Blackstone is the anchor contribution to the new New York State COVID-19 First Responders Fund.

“We are contributing \$10 million to the First Responders fund and an additional \$5 million to organizations orchestrating food delivery to healthcare workers and first responders, as well as others supporting vulnerable populations in New York City.”

**NEW AT BPI** — Per release: “The Bank Policy Institute announced that Anna M. Harrington has joined its regulatory team today, leading BPI’s regulatory advocacy efforts on capital and other key prudential regulatory matters. Ms. Harrington previously served in senior roles at the Federal Reserve Board, and as U.S. Head of Bank Regulatory Policy at Barclays.

**NEW GIG FOR COHN** — Per release: “Starling, an applied behavioral sciences technology company, has announced the appointment of Gary D. Cohn to its Risk & Governance Advisory Board.”

**NEW FROM EX-IM** — Per release out this a.m.: “The Export-Import Bank of the United States (EXIM) has announced changes to the fee structure of its Delegated Authority (DA) loans and Fast Track Loans. This change will give small businesses better transparency into the fee structure and will lower the fee rate by an average of 10 basis points.”

April 7, 2020

## Public Affairs Notes:

### This week:

- There are no public events to report for the remainder of the week. Updates will be provided as they become available.

## SECRETARY MENTIONS

### **Small-Business Relief Rollout “Marred By Confusion” As SBA Platform Reportedly Crashes. (USAT, REU, HILL, BLOOM, POLITICO, BOSGLOBE, FT)**

USA Today (4/6, Davidson) reports the Treasury Department and SBA “allowed firms with less than 500 employees to start applying for the loans on Friday, but the early rollout has been marred by confusion, technical glitches and banks’ own loan volume limits.”

Reuters (4/6, Schroeder) reports, “The platform the U.S. Small Business Administration uses to process relief loan applications from small businesses crashed for several hours Monday, according to three banking sources.” The sources said “banks have been unable to submit applications to the \$350 billion program since it crashed around noon on Monday, and the portal was still down later in the afternoon.” However, in a separate article, Reuters (4/6, Schroeder) reports “it is ‘not accurate’ that banks were unable to submit small business relief loan applications after the Small Business Administration’s portal crashed, according to a senior administration official.” The unnamed official said, “SBA continues to process/approve/guarantee billions of dollars in loans and continues to add lenders to the system.”

The Hill (4/6, Gangitano) reports the American Bankers Association said, following a meeting Sunday with Treasury Secretary Steven Mnuchin and other officials from Treasury and SBA, “SBA officials emphasized that they have been balancing security and speed in providing access to the systems that allow banks to make PPP loans.”

Bloomberg (4/6, Niquette) reports the Independent Community Bankers of America “sent a letter to SBA and Treasury late Saturday night complaining about the technology and a ‘myriad of unanswered questions and lack of clear instruction on how to complete loans through the SBA.’” The group “made several recommendations, including enhancing SBA systems.”

Politico (4/6, Warmbrodt) reports, “As lenders continued to report issues, banks received word that the Fed was intervening to help backstop the program, as it has done across financial markets throughout the Covid-19 pandemic. The Fed announced that it planned to provide financing to banks that issue the loans.” Politico says that over the past week, “small banks in particular urged the Fed and Treasury Department to come up with a mechanism to buy the loans off banks’ books to help free up lending capacity.”

***Senators Push Mnuchin, Carranza To Address Small Business Relief Rollout Problems.*** The Boston Globe (4/6, Nanos, Leung) reports Massachusetts Sens. Elizabeth Warren (D) and Ed Markey (D) “submitted a letter to Treasury Secretary Steve Mnuchin Monday criticizing the rollout of the SBA loan plan, and expressing concern that the funds allocated in the Payroll Protection Program will be quickly depleted.” The senators wrote, “As the program went live last week, issues with the program immediately became clear,” citing reports of numerous delays at large banks. They add, “We urge you to move quickly to issue additional guidelines and clarifications to ensure that loans are disbursed quickly. ... The ability of small businesses to access this money in a matter of days could determine whether or not they will need to shut their doors to their employees and customers forever.”



The Financial Times (4/7, Noonan, Armstrong) reports the letter was sent to Mnuchin and SBA head Jovita Carranza, and that Sen. Rick Scott (R-FL) also wrote Mnuchin and Carranza on Saturday regarding problems with the loans.

### **Airlines Discuss Terms Of Bailout With Treasury Department. (WP, REU)**

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#### **MAJOR DEPARTMENT MENTIONS**

##### **Election Assistance Commission Speeds Up Process To Get States Funding. (HILL)**

The Hill (4/6, Miller) reports the Election Assistance Commission (EAC) “is speeding up the process of sending recently appropriated funds to states to help bolster elections during the coronavirus pandemic.” The EAC “announced late last week that it planned to send funding to states that they can use for measures such as boosting mail-in and absentee voting, along with hiring more poll workers and buying sanitization supplies, by the end of next week.” EAC commissioners “noted that both the Treasury Department and the Office of Management and Budget had been assisting in the effort to get the money to states, as postponed primaries loom and state officials increasingly scramble to make preparations to allow the elections to continue.”

#### **POLITICO MORNING MONEY**

**Markets go risk on** — All three major stock indices surged over 7 percent on some positive signs that lock-downs in Europe and the U.S. may be slowing the rise of Covid-19 cases. All three remain about 20 percent below their peaks hit in February, which is still bear market territory but just barely.

The jumps came even as former Fed chair Janet Yellen warned of a “devastating hit” to the economy and a drop in second quarter GDP of 30 percent or more; U.K. Prime Minister Boris Johnson entered intensive care for Covid-19; And JPMorganChase CEO Jamie Dimon told shareholders to expect “a bad recession combined with some kind of financial stress similar to the global financial crisis of 2008.”

**So why the rally?** Some Wall Street analysts are taking the encouraging coronavirus news to suggest we could avoid a long recession, meaning stocks might truly have hit bottom on March 23 when the Dow closed at 18,591.

Andrew Slimmon of Morgan Stanley Investment Management on a company podcast: “We can conclude that the equity market is pricing a deep, but more importantly, a short recession. ... We can check the boxes to conclude that likely March 23 was the initial panic low. ... I expect some retest of the lows. They call the retest phase the ‘demoralization phase.’”

**No guarantee we won’t go lower** — Steven Ricchiuto US Chief Economist at Mizuho Americas: “My contention that the markets have already put in a bottom is about to get tested. Not only have the markets been warned that the next two weeks will be difficult from the coronavirus perspective, but we are also entering what is sure to be an extremely difficult earnings season.”

### **Driving the Day**

Larry Kudlow speaks with MM at 9:00 a.m. ... Treasury Secretary Steven Mnuchin is on Fox Business at 8:30 a.m. ... The Meridian International Center holds webinar at 11 a.m. with Senior Counselor to the President Kellyanne Conway ... Small business optimism at 6:00 a.m. expected to take a giant plunge

### **Coronavirus effects**

**GOVS SEEM SOME CURVE FLATTENING** — Our Nolan D. McCaskill: “The number of coronavirus infections and deaths continue to mount across the United States, but governors in some of the nation’s hotspots said ... they see glimmers of hope in the latest data on the pandemic — evidence the rigid social distancing measures states have mandated are helping slow the spread of the virus.

“In New York, home to by far the largest outbreak in the country, more than 130,000 people have now tested positive for Covid-19 ... The number of fatalities ... has been ‘effectively flat for two days,’ New York Gov. Andrew Cuomo said ... New Jersey now has the second-worst outbreak of the virus ... But Gov. Phil Murphy tweeted Monday that New Jersey’s curve is also flattening.”

**FOR YOUR CALENDAR POWELL TO SPEAK THURSDAY** — Fed Chair Jay Powell will talk about the central bank’s actions and do a Q&A hosted by Brookings on Thursday at 10:00 a.m.

**FASTEST BEAR MARKET EVER** — Leuthold’s Jim Paulsen: “This has been a speedy Bear Market. Measured through the first 22 days of all bear markets in post-war history, the contemporary bear market declined by almost 6.5 times more than all the others!

“In 2020, the market dropped 32% in 22 days versus an average of just -5.1 for the previous 13 bear markets. ... We also believe a re-test, or multiple re-tests of the recent stock market low, is likely, and it could well establish a new crisis low as it often has in the past.”

**FED STEPS UP AGAIN** — Our Zachary Warmbrodt: “The Federal Reserve said ... it will provide financing to banks issuing loans to small businesses under the government’s \$350 billion bailout program, addressing a key request by lenders struggling to make the federally backed loans. ... Banks have been asking the Trump administration to have the Fed buy the loans off their books to help maintain lending capacity.”

Cowen’s Jaret Seiberg: “We believe this is a positive step as we have been unsure if banks could keep originating Paycheck Protection loans without liquidity from the Federal Reserve.”

RSM’s Joe Brusuelas: “In our estimation this move represents a de-facto rescue of the Trump administrations signature \$350 billion program which has experienced at best a tenuous and difficult launch over the past few days.”

**STILL, PROBLEMS PERSIST** — Also via Zach: “Banks ... struggled to assist thousands of small businesses vying for \$350 billion in government-backed loans as lenders reported that a Small Business Administration system used to process the applications was crashing.

“The small business aid program — a crucial part of the government’s record \$2 trillion plan to rescue the economy from the coronavirus pandemic — has been snarled since it was launched Friday in large part



because of technical problems with the SBA's "E-Tran" system, which banks must use to authorize the loans. ... This week will be the biggest test yet for the so-called Paycheck Protection Program."

**Trump said at his presser that JPMorganChase** is now on board, joining Bank of America and others, after initially saying it wasn't ready to offer loans through the program. ... He also said he had a warm chat with former VP Joe Biden about the virus response, which is a pretty remarkable thing. Then he yelled at reporters for quite a long time.

**SCHUMER PICKS BAILOUT WATCHDOG** — Our Marianne LeVine and Kyle Cheney: "Senate Minority Leader Chuck Schumer will appoint Bharat Ramamurti, a former Elizabeth Warren aide, to a newly created panel meant to police the Trump administration's handling of a \$500 billion coronavirus relief fund. Schumer described Ramamurti on Monday as 'ferocious in his desire to protect the public from abuse.' ...

"Ramamurti was a top economic adviser to Warren during the Massachusetts Democrat's presidential campaign, as well as senior counsel for banking and economic policy in her personal Senate office."

**BORIS JOHNSON IN INTENSIVE CARE** — Our Charlie Cooper in London: "Boris Johnson was moved to intensive care in hospital this evening, 24 hours after being admitted with Covid-19. A No. 10 spokesperson said the prime minister's condition had worsened over the course of this afternoon and that he has been moved to the intensive care unit at London's St Thomas' Hospital."

**DEMS DEMAND CONSUMER PROTECTIONS** — Our Katy O'Donnell: "Top Senate Democrats are calling on financial regulators to crack down on predatory lending practices during the economic crisis caused by the coronavirus."

**BANKS WARN TREASURY AGAINST MAILING STIMULUS CHECKS** — Also via Zach: "Banks are urging the Treasury Department to distribute coronavirus stimulus money electronically and to avoid mailing millions of paper checks that could become a huge source of fraud and force Americans to leave their homes to deposit the funds"

**FIRST LOOK: CUT MORE REGS?** — CEI is out today with a report "that identifies #neverneeded regulations lawmakers should get rid of so the private sector can do what it does best – provide people with the goods and services they need now more than ever."

**HUAWEI SENDS MASKS TO CANADA** — Via The Globe and Mail: "Chinese telecommunications giant Huawei is quietly flying millions of masks to Canada, as health authorities and hospitals struggle to acquire adequate safety equipment for medical workers dealing with the deadly coronavirus outbreak."

**ITALY ADDS MORE FIREPOWER** — Our Giorgio Leali: "Italy ... adopted a new package of economic measures including the strengthening of anti-takeover rules, and public guarantees for €400 billion-worth of loans and investments to help business. ... Rome will guarantee up to 90 percent of loans to businesses for €200 billion via the public owned export credit agency SACE, Finance Minister Roberto Gualtieri explained."

## **Markets**

**WALL STREET LEAPS 7 PERCENT** — AP's Stan Choe and Alex Veiga: "Investors grabbed hold of a few glimmers of hope ... that the coronavirus pandemic could be slowing and sent stocks surging in a worldwide rally, capped by a 7% leap for the U.S. market. The number of new coronavirus cases is dropping in the European hotspots of Italy and Spain.

"The center of the U.S. outbreak, New York, also reported its number of daily deaths has been effectively flat for two days. Even though the U.S. is still bracing for a surge of deaths due to COVID-19 and New York's governor said restrictions should stay in place to slow its spread, the encouraging signs were enough to launch the S&P 500 to its best day in nearly two weeks."

**CORONAVIRUS MUDDIES U.S. ECONOMIC DATA** — Reuters' Lucia Mutikani: "A near total closure of U.S. businesses as authorities try to control the spread of the novel coronavirus could make U.S. economic data unreliable in the coming months and harder to get a clearer picture of the severity of the recession caused by the virus."

**CRISIS REVEALS CRACKS IN EUROPE'S SHARED CURRENCY** — AP's David McHugh: "The virus outbreak is exposing cracks in the foundation of Europe's 21-year-old shared currency and festering animosities among its members, even as governments struggle to come up with a unified response where success or failure could mark the continent's politics for years to come."

### **Fly Around**

**U.S. NOWHERE CLOSE TO REOPENING ECONOMY** — NYT's Jim Tankersley: "How long can we keep this up? It is still very early in the U.S. effort to snuff a lethal pandemic by shutting down much of the economy. But there is a growing question — from workers, the White House, corporate boardrooms and small businesses on the brink — that hangs over what is essentially a war effort against a virus that has already killed more than 9,000 Americans. There is no good answer yet, in part because we don't even have the data needed to formulate one."

**BIG BANKS FAVOR CERTAIN CUSTOMERS IN SMALL BUSINESS LOAN PROGRAM** — WSJ's Ruth Simon and Peter Rudegeair: "Griff Neal set his alarm for 3 a.m. on Friday so he could be among the first to apply for a loan under a new federal program designed to help small businesses weather the coronavirus pandemic."

Bank of America Corp. turned him away that same morning. The reason: The auto-parts supplier he runs, Encap Technologies Inc., hadn't borrowed from the bank before. 'I was literally floored,' said Mr. Neal, the company's president. Encap, he said, has had checking and savings accounts with Bank of America for two decades, and the bank manages its employee retirement accounts."

### **For Your Radar**

**FORMER OBAMA AIDE JOINS GOLDMAN** — Per Goldman Sachs memo from CEO David Solomon: "We are pleased to announce that Kathryn H. Ruemmler will join the firm this month as global head of Regulatory Affairs and a member of the Management Committee. ... Kathy rejoined Latham & Watkins in 2014 after serving for almost six years in the Administration of US President Barack Obama."

**BLACKSTONE ANCHORS COVID FUND** — Per Blackstone: "Gov Cuomo announced during his daily press conference that Blackstone is the anchor contribution to the new New York State COVID-19 First Responders Fund."

"We are contributing \$10 million to the First Responders fund and an additional \$5 million to organizations orchestrating food delivery to healthcare workers and first responders, as well as others supporting vulnerable populations in New York City."

**NEW AT BPI** — Per release: "The Bank Policy Institute announced that Anna M. Harrington has joined its regulatory team today, leading BPI's regulatory advocacy efforts on capital and other key prudential regulatory matters. Ms. Harrington previously served in senior roles at the Federal Reserve Board, and as U.S. Head of Bank Regulatory Policy at Barclays."

**NEW GIG FOR COHN** — Per release: "Starling, an applied behavioral sciences technology company, has announced the appointment of Gary D. Cohn to its Risk & Governance Advisory Board."

**NEW FROM EX-IM** — Per release out this a.m.: "The Export-Import Bank of the United States (EXIM) has announced changes to the fee structure of its Delegated Authority (DA) loans and Fast Track Loans. This change will give small businesses better transparency into the fee structure and will lower the fee rate by an average of 10 basis points."



**From:** (b)(6)  
**Sent:** Thu, 9 Apr 2020 08:42:36 -0400  
**To:** Hoover, Allie  
**Subject:** 04-09-2020 PA Senior Staff Notes  
**Attachments:** 04-09-2020 PA Senior Staff Notes.docx

April 9, 2020

**Public Affairs Notes:**

**This week:**

- **There are no public events to report for the remainder of the week. Updates will be provided as they become available.**

**SECRETARY MENTIONS**

**Democratic Leaders' \$250B Spending Demand Imperils Quick Passage Of Aid Bill. (POLITICO, WP, CNBC, AP, REU, WSJ, BLOOM, HILL, NSWK, NTLRVW, SBGROUP)**

Politico (4/8, Caygle, Everett) reports that Congressional Democrats yesterday "released their own set of demands for an 'interim' coronavirus relief package poised to move through Congress this week, setting up a clash with congressional Republicans that threatens to stall the next installment of relief for the economy." House Speaker Pelosi and Senate Minority Leader Schumer "asking for \$250 billion in aid for hospitals and state and local governments plus the \$250 billion desired by the Trump administration and Senate Republicans shows that the quick GOP push may be a messy affair." Politico says Schumer "spoke to Treasury Secretary Steven Mnuchin about the proposal on Wednesday, according to a spokesman for the minority leader." Mnuchin "said he would study Schumer's proposal, but also said the administration does not support passing it on Thursday, according to two people familiar with the conversation."

The Washington Post (4/8, Werner) reports the Democrats' "list of demands came a day after" Mnuchin called on Congress to "swiftly approve an additional \$250 billion to supplement a \$349 billion small business loan program that's been swamped by implementation issues and overwhelming demand." CNBC (4/8, Pramuk) reports on its website that "by the afternoon, House Democrats indicated they will try to pass legislation that includes less money specifically for an existing loan program for small companies than the Trump administration has requested." CNBC adds that "a spokesperson for Pelosi...clarified that House Democrats want to put \$125 billion into the so-called Paycheck Protection Program," although Senate Majority Leader McConnell "aims to pass \$250 billion in funding for the existing program through the Senate on Thursday."

To the AP (4/8, Mascaro, Colvin), it is McConnell's "decision to rush Trump's request for small business aid to a vote, with just 48 hours notice and without input from Democrats," which "threatened a fragile alliance for bipartisan action." The AP says Secretary Mnuchin "told the lawmakers that \$98 billion in loans for small businesses has been approved under the program which the Trump administration wants Congress to bolster in Thursday's vote, according to a person unauthorized to discuss the private call and granted anonymity." Vice President Mike Pence also "convened private conference calls Wednesday with House Republicans and Democrats, in separate sessions with Mnuchin and the task force, to brief far-flung lawmakers on the response to the crisis."

Reuters (4/8, Cowan, Cornwell) reports that “a single objection” in the Senate “would prevent the Senate from passing the measure on Thursday by unanimous consent.” Pelosi “would have to either get her 429-member chamber to go along with a ‘voice vote’ to approve the Senate measure or call lawmakers to Washington to muster a majority of the House in support of final passage.” According to Reuters, Secretary Mnuchin “pushed for Congress to act by the end of this week on the \$250 billion request he made on Tuesday.” The Wall Street Journal (4/8, Duehren, Peterson), Bloomberg (4/7, Litvan, House, Wasson), The Hill (4/8, Carney), Newsweek (4/8, Touchberry), National Review (4/8), and The Washington (DC) Post (4/8, Costa), among other news outlets, also report.

In a report that aired on Sinclair Broadcasting Group (4/8) stations across the country, Assistant Treasury Secretary for Public Affairs Monica Crowley was shown saying, “This is an unprecedented economic challenge that the country is facing right now.” Sinclair correspondent Ahtra Elnashar reported that Crowley said the Paycheck Protection Program “has been a robust success but there are widespread reports of glitches, banks not taking on new customers or not understanding the rules of the program.” Crowley: “I think with a project of this kind of magnitude when you are dealing with 30 million small businesses across America, of course some issues are going to arise.” Elnashar added, “Crowley acknowledges some large banks have had issues but says they will all be online by Thursday at the latest.” Crowley: “You will see the volume and the magnitude of the loans that are being approved and the amount of money going out to support the small businesses grow exponentially.”

***Mnuchin: Congress Will Provide Enough Money For Small Business Lending.*** CNBC (4/8, Franck) reports on its website that Treasury Secretary Steven Mnuchin, in an interview Wednesday on CNBC’s Squawk On The Street, indicated that small businesses “should not worry about their odds of receiving relief funding from the federal government” because he is “confident Congress will approve additional funding on top of the original \$350 billion already being distributed.” Mnuchin is quoted as saying, “I want to assure all small businesses out there: We will not run out of money. The President has asked us to go back to Congress. We hope they pass this tomorrow or Friday. And we want to assure everybody if you don’t get a loan this week, you’ll get a loan next week or the following week. The money will be there.”

***WPost: Congress Must Act Quickly To Approve Next Aid Package.*** The Washington Post (4/8) editorializes that the overwhelming demand for the federal relief provided in the Cares Act rescue package shows that businesses need more help to survive, “to the tune of \$250 billion, according to Treasury Secretary Steven Mnuchin.” The Post urges lawmakers to “move with all deliberate speed on broad-based aid to the economy, including help to small businesses and other urgent priorities, while minimizing debate over policy changes, just as it did when it passed the Cares Act to begin with.” Their goal, the Post says, “should be a bill that expands aid while clarifying the legal and administrative issues that have impeded it so far.”

**Mnuchin: Direct Deposits Of Stimulus Checks Will Begin Next Week. (AP, FOXB)**

The AP (4/8, Mascaro, Colvin) reports Treasury Secretary Mnuchin is “telling House Democrats that direct deposits to Americans will begin next week under the coronavirus aid package.” Lawmakers have “raised concerns that the \$1,200 direct payments to Americans could be delayed for months for those who do not have direct deposit through Treasury.” Congress is debating the parameters of “the next potential coronavirus aid package” as President Trump “seeks \$250 billion for small businesses and Democrats propose tacking on another \$250 billion for small communities, protective gear and food stamps.”

Fox Business (4/8, Lawrence) reports the IRS “has sped up its process and is now targeting ‘early next week’ for the direct deposit checks.” The first checks “could be directly deposited as early as Monday or Tuesday with the first paper checks mailed starting April 20.” Secretary Mnuchin had originally “said the first direct deposits from the IRS would go out on April 17.”



**Mnuchin: Treasury And Fed Plan To Provide Additional Loans For Small Businesses. (POLITICO, BLOOM, REU, HILL)**

Politico (4/8, Guida) reports that Treasury Secretary Mnuchin indicated today that the Treasury and the Federal Reserve “hope to provide more details this week on an emergency lending facility directed toward medium-sized businesses, which have not yet benefited from the \$2 trillion economic rescue package signed into law last month.” Mnuchin is quoted as saying, “We are actively working with the Fed on a Main Street lending facility. We hope to have an announcement this week with the details on that and get it up and running as soon as we can.” According to Politico, Mnuchin “said the facility would be aimed at businesses with more than 500 employees that don’t have access to the Fed’s corporate credit facilities, which will buy debt issued by large companies.” Bloomberg (4/8, Mohsin), Reuters (4/8, Schneider), and The Hill (4/8, Elis) also report.

**Mnuchin Conveys Administration Support For Relief Spending Oversight. (BIZINDER)**

Jake Lahut writes for Business Insider (4/8) that one “day after President Trump raised eyebrows by abruptly firing the watchdog in charge of overseeing the \$2 trillion coronavirus stimulus package, Treasury Secretary Steven Mnuchin tried to reassure markets that there will still be strong oversight of the taxpayer funds.” During his CNBC interview Wednesday, Mnuchin said, “Well I think the president thought the appropriate oversight was very important, and that’s why he wanted to move forward quickly and nominate someone for this position. I think, you know, this is a new Inspector General that was set up under the CARES Act, it’s someone who has a lot of experience, and I look forward to working with him.”

**Mnuchin Says He Expects New York Will Take Longer To Reopen Than Other Parts Of US. (CNBC, NSWK)**

CNBC (4/8, Breuninger) reports Treasury Secretary Steven Mnuchin “said Wednesday he expects New York, the financial capital of the U.S. and the epicenter of the nation’s coronavirus outbreak, will take longer to ‘reopen’ its economy than other parts of the country.” Mnuchin, “a member of President Donald Trump’s coronavirus task force, told CNBC’s ‘Squawk on the Street’ that the administration is eager to restart the areas of the U.S. economy that have been ground to a halt by the deadly pandemic.” But he “expects that ‘we’ll be opening it up based on medical conditions,’ rather than prioritizing states’ economic output.” Newsweek (4/8, Impelli) also reports.

**Pence, Fauci Brief Lawmakers On Potential Ways To Return To “Normality.” (POLITICO)**

Politico (4/8, Zanona, Caygle) reports Vice President Mike Pence “and the coronavirus task force informed House lawmakers on Wednesday that the Trump administration is exploring ways to return to ‘normality’ and could soon unveil guidance for eventually reopening the country.” National Institute of Allergy and Infectious Diseases head Dr. Anthony Fauci, in separate calls with lawmakers from the two parties, “told lawmakers that administration officials are developing a framework for getting back to ‘normality’ and that he expects the White House to issue more guidance about eventually reopening society in the coming days.” Politico says that, in addition to Pence and Fauci, “other top officials on the call included Dr. Deborah Birx, Rear Adm. John Polowczyk and Treasury Secretary Steven Mnuchin.” During the calls Wednesday, Mnuchin “pitched lawmakers on the need for more immediate money for a small-business loans program and urged Congress to swiftly approve the White House’s request for \$250 billion in aid for small businesses.”

**Banks Seek Relief From FinCEN Regulations On PPP Loans. (BLOOM)**

Bloomberg (4/8, Schmidt, Hamilton) reports lenders say that regulations by the Financial Crimes Enforcement Network (FinCEN) is the reason they are prioritizing existing customers in Paycheck Protection Program applications. Lenders have sought “relief from the stringent regulations” that they estimate impose “as much as two hours of work” on the initial steps of processing a new borrower’s

application and then can require a month or longer to verify that the customer's information is legitimate. Bankers "said they had repeatedly warned the Trump Administration that money-laundering rules would lead to problems" with the PPP program. Treasury Secretary Steven Mnuchin, "they said, has been very willing to cut red tape and address issues lenders have had that could slow down payouts." But FinCEN has thus far been "unresponsive to their concerns." The banks are asking FinCEN to allow them to collect customer information and verify it after the PPP application is processed.

#### **Treasury Officials Seek Financial Information From Airlines. (REU)**

Reuters (4/8, Rucinski, Shepardson) reports that officials from the Department of the Treasury "have asked airlines seeking government payroll support to provide additional detailed information on capital structure, liquidity and loyalty programs, people briefed on the matter told Reuters." The Department of the Treasury has requested that airlines provide details about cash burn rate and when the airlines expect to run out of cash, as well as the value of airlines' loyalty programs and unencumbered assets. Under the CARES Act, Treasury Secretary Steven Mnuchin "can demand equity, warrants or other financial instruments to 'provide appropriate compensation to the federal government,' a condition that has caused pushback by some airlines, unions and Democratic lawmakers."

#### **Treasury IG Sends Report On Department's Handling Of Trump Tax Returns To House Dems. (HILL)**

The Hill (4/8, Jagoda) reports the Treasury Department's IG office on Wednesday "sent a report about the department's handling of House Democrats' request for President Trump's tax returns to key lawmakers." Deputy Inspector General Richard Delmar, "who is currently the acting IG for Treasury, said in an email to The Hill that his office's 'inquiry report' was sent to House Ways and Means Committee Chairman Richard Neal (D-Mass.), who requested the report, as well as the committee's top Republican, Rep. Kevin Brady (R-Texas)." The Hill says the report's contents "were not immediately known."

### **BROADCAST LINKS**

#### **Mnuchin: Government Won't Run Out Of PPP Money. (CNBC)**

Treasury Secretary Steven Mnuchin, in an interview Wednesday on CNBC's Squawk On The Street (4/8), indicated that small businesses "should not worry about their odds of receiving relief funding from the federal government" because he is "confident Congress will approve additional funding on top of the original \$350 billion already being distributed." Mnuchin is quoted as saying, "I want to assure all small businesses out there: We will not run out of money. The President has asked us to go back to Congress. We hope they pass this tomorrow or Friday. And we want to assure everybody if you don't get a loan this week, you'll get a loan next week or the following week. The money will be there."

### **POLITICO MORNING MONEY**

**Get ready for another nightmare jobless claims number** — The weekly jobless claims number out at 8:30 a.m. — the most important economic data point we have right now — may come in under the massive 6.6 million we got last week. But perhaps not by much.

In just two weeks, we've seen around 10 million job losses. Labor economist (and MM high school classmate) Aaron Sojourner, who served at the CEA under President Barack Obama, says his model projects 5.1 million initial claims. And he's been very close to nailing the numbers before. That would suggest an April jobs report showing a loss of 15 million jobs, a mind-boggling figure.

**Via Edward Moya, Senior Market Analyst at forex trading firm OANDA:** "This week's median estimate for unemployment filings is 5 million, with some economists eyeing a reading in the 7-million area."



“Another fresh record high in jobless claims could be the straw that breaks this recent stock market rally's back and sees a return to the flight-to-safety trade. ... Over the next few weeks, the total amount of jobless claims could eventually soar as high as 20 million, if not higher.”

**Pantheon's Ian Shepherdson:** “We would be surprised to see a new record today, but our forecast is a huge 6.0M, above the 5.0M consensus. ... The most favorable data we can find for last week comes from Pennsylvania's daily claims numbers, which totaled 284K in the week ended April 4, down sharply from 406K in the week of March 28.

“If this were to be replicated nationally, the headline claims number would be about 4.3M. By contrast, Wisconsin's daily data show that claims in the state dipped only slightly across the same period, while Arizona ... reported a sharp increase, to 130K from 89K.”

A [good read here](#) from economist Kevin Rinz on how to read the jobless claims numbers.

**Powell prep** — Fed Chair Jerome Powell [speaks at Brookings this morning at 10:00 a.m.](#) on the central banks multiple efforts to fight the crushing economic impact of the virus. He will also take questions.

**Via Cowen's Jaret Seiberg:** “We expect he will discuss credit facilities the central bank may launch. This includes the Main Street loan program for mid-sized companies, which was mentioned ... in the Wells Fargo order. Also expected are a facility for Paycheck loans and hybrid debt. Servicer liquidity also is possible.”

**Sanders exit thrills Wall Street** — Stocks [immediately spiked higher](#) after [Bernie Sanders said he would suspend his campaign](#), leaving former VP Joe Biden as the presumptive Democratic nominee to face President Donald Trump in November. The two scariest candidates to Wall Street, Sanders and [Elizabeth Warren](#), are now gone.

Biden has suggested a financial transactions tax and some other stuff that Wall Street doesn't like. But he's not expected to bring the hammer down and he's got lots of well-heeled Wall Street backers.

**Cresset's Jack Ablin emails MM:** “The market had a slight upside skew this morning and rocketed after Bernie's announcement. How would you feel if the market rallied 700 points on the news you dropped out of the race? Anyone else would be offended. To Bernie, it's a badge of honor.”

## DRIVING THE DAY

Initial jobless claims at 8:30 a.m. expected to show a gain of around 5 million ... Fed Chair Powell [speaks at Brookings](#) at 10:00 a.m. ... The Senate will try to approve another \$250 billion for the Paycheck Protection Program for small business but Democrats say it won't clear the House without \$250 billion more for hospitals and local governments.

## CORONAVIRUS EFFECTS

**FED CAN SPEND BILLIONS WITHOUT RECORDS** — Our Maggie Severns and Victoria Guida: “Tucked into the recent recovery bill was a provision granting the Federal Reserve the right to set up a \$450 billion bailout plan without following key provisions of the federal open meetings law, including announcing its meetings or keeping most records about them, according to a POLITICO review of the legislation.

“The provision, the existence of which has not been previously reported, further calls into question the transparency and oversight for the biggest bailout law ever passed by Congress. ... Trump has indicated he [does not plan](#) to comply with another part of the new law intended to boost Congress' oversight powers of the bailout funds. And earlier this week, [Trump dismissed the government official](#) chosen as the chief watchdog for the stimulus package.”

**SWING STATES TAKE BIG EMPLOYMENT HITS** — Via Cowen's Chris Krueger: "Recessions generally destroy Presidential re-elects: 6 key states have 5100% rise in unemployment claims in 2 weeks.

"Trump won these 6 states by 455,204; the last 2 weeks have seen unemployment claims rise by 2,070,324. ... States included here are Arizona, Florida, Michigan, North Carolina, Pennsylvania and Wisconsin."

**STATES PLEAD FOR HELP ON JOBLESS CLAIMS** — Our Megan Cassella, Ian Kullgren and Katherine Landergan: "States are pleading for help from the Trump administration as they struggle to handle a torrent of unemployment claims that continues to swell as businesses remain shuttered across the country.

"In the three weeks since ... Trump signed legislation allocating \$1 billion to help states process jobless claims, the number of laid-off Americans applying for benefits has already surged past 10 million. ... Less than half of the money for administrative costs in the most recent stimulus bill has been distributed to states."

**THE PLAN TO REOPEN** — Our Melanie Zanona and Heather Caygle: "Vice President Mike Pence and the coronavirus task force informed House lawmakers on Wednesday that the Trump administration is exploring ways to return to 'normality' and could soon unveil guidance for eventually reopening the country."

**MM SIDEBAR** — There are various teams inside the White House working on these re-opening plans. Key players include NEC Director Larry Kudlow, temporary adviser Kevin Hassett and Jared Kushner. There will be consistent tension between those pushing for a swift open and those wanting to rely on the medical officials and err on the side of caution.

It's an absolutely critical issue. Everyone wants to get back to normal. But the rosier numbers coming out of the IHME model now depend on stringent social distancing measures staying in place through the end of May. Using the model's improved potential outcomes as a rationale to open things up sooner could be disastrous.

**NEXT DOSE OF CORONA MONEY CAST INTO CHAOS** — Our Heather Caygle, Burgess Everett and Jake Sherman: "Congress's latest tranche of coronavirus relief has been thrown into chaos. Republicans' plans to fast-track \$250 billion in new aid to small businesses on Thursday have been upended by Democrats' push to tack on \$250 billion more for hospitals and local governments.

"And the White House opposes approving the new money Democrats are seeking this week, according to multiple sources. But Speaker Nancy Pelosi says the Senate Republicans' plan to pass the new small business aid won't fly in her chamber's pro forma session on Friday, either."

**FED EASES CAPS ON WELLS** — Our Victoria Guida and Zachary Warmbrodt: "The Federal Reserve ... eased the punitive growth restrictions it placed on Wells Fargo after a raft of consumer abuse scandals, allowing the giant bank to offer government-backed loans to small and medium-sized businesses.

"The move comes after Wells said it planned to offer \$10 billion in loans guaranteed by the Small Business Administration but that it didn't have capacity to do further lending, given the central bank's continued cap on its assets. ... Banks have strained to offer the loans after the Trump administration took until the evening before the program's start to provide the guidance they needed."

**CARES ACT IMPACT** — Via the Penn-Wharton budget model: "Without the CARES Act, GDP would have fallen at an annualized rate of 37 percent in 2020 Q2, with the unemployment rate reaching 12 percent by 2020 Q3.



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### SECRETARY MENTIONS

#### **Democratic Leaders' \$250B Spending Demand Imperils Quick Passage Of Aid Bill. (POLITICO, WP, CNBC, AP, REU, WSJ, BLOOM, HILL, NSWK, NTLRVW, SBGROUP)**

Politico (4/8, Caygle, Everett) reports that Congressional Democrats yesterday “released their own set of demands for an ‘interim’ coronavirus relief package poised to move through Congress this week, setting up a clash with congressional Republicans that threatens to stall the next installment of relief for the economy.” House Speaker Pelosi and Senate Minority Leader Schumer “asking for \$250 billion in aid for hospitals and state and local governments plus the \$250 billion desired by the Trump administration and Senate Republicans shows that the quick GOP push may be a messy affair.” Politico says Schumer “spoke to Treasury Secretary Steven Mnuchin about the proposal on Wednesday, according to a spokesman for the minority leader.” Mnuchin “said he would study Schumer’s proposal, but also said the administration does not support passing it on Thursday, according to two people familiar with the conversation.”

The Washington Post (4/8, Werner) reports the Democrats’ “list of demands came a day after” Mnuchin called on Congress to “swiftly approve an additional \$250 billion to supplement a \$349 billion small business loan program that’s been swamped by implementation issues and overwhelming demand.” CNBC (4/8, Pramuk) reports on its website that “by the afternoon, House Democrats indicated they will try to pass legislation that includes less money specifically for an existing loan program for small companies than the Trump administration has requested.” CNBC adds that “a spokesperson for Pelosi...clarified that House Democrats want to put \$125 billion into the so-called Paycheck Protection Program,” although Senate Majority Leader McConnell “aims to pass \$250 billion in funding for the existing program through the Senate on Thursday.”

To the AP (4/8, Mascaro, Colvin), it is McConnell’s “decision to rush Trump’s request for small business aid to a vote, with just 48 hours notice and without input from Democrats,” which “threatened a fragile alliance for bipartisan action.” The AP says Secretary Mnuchin “told the lawmakers that \$98 billion in loans for small businesses has been approved under the program which the Trump administration wants Congress to bolster in Thursday’s vote, according to a person unauthorized to discuss the private call and granted anonymity.” Vice President Mike Pence also “convened private conference calls Wednesday with House Republicans and Democrats, in separate sessions with Mnuchin and the task force, to brief far-flung lawmakers on the response to the crisis.”

Reuters (4/8, Cowan, Cornwell) reports that “a single objection” in the Senate “would prevent the Senate from passing the measure on Thursday by unanimous consent.” Pelosi “would have to either get her 429-member chamber to go along with a ‘voice vote’ to approve the Senate measure or call lawmakers to Washington to muster a majority of the House in support of final passage.” According to Reuters, Secretary Mnuchin “pushed for Congress to act by the end of this week on the \$250 billion request he made on Tuesday.” The Wall Street Journal (4/8, Duehren, Peterson), Bloomberg (4/7, Litvan, House, Wasson), The Hill (4/8, Carney), Newsweek (4/8, Touchberry), National Review (4/8), and The Washington (DC) Post (4/8, Costa), among other news outlets, also report.

In a report that aired on Sinclair Broadcasting Group (4/8) stations across the country, Assistant Treasury Secretary for Public Affairs Monica Crowley was shown saying, “This is an unprecedented economic challenge that the country is facing right now.” Sinclair correspondent Ahtra Elnashar reported that Crowley said the Paycheck Protection Program “has been a robust success but there are widespread reports of glitches, banks not taking on new customers or not understanding the rules of the program.” Crowley: “I think with a project of this kind of magnitude when you are dealing with 30 million small businesses across America, of course some issues are going to arise.” Elnashar added, “Crowley acknowledges some large banks have had issues but says they will all be online by Thursday at the latest.” Crowley: “You will see the volume and the magnitude of the loans that are being approved and the amount of money going out to support the small businesses grow exponentially.”

***Mnuchin: Congress Will Provide Enough Money For Small Business Lending.*** CNBC (4/8, Franck) reports on its website that Treasury Secretary Steven Mnuchin, in an interview Wednesday on CNBC’s Squawk On The Street, indicated that small businesses “should not worry about their odds of receiving relief funding from the federal government” because he is “confident Congress will approve additional funding on top of the original \$350 billion already being distributed.” Mnuchin is quoted as saying, “I want to assure all small businesses out there: We will not run out of money. The President has asked us to go back to Congress. We hope they pass this tomorrow or Friday. And we want to assure everybody if you don’t get a loan this week, you’ll get a loan next week or the following week. The money will be there.”

***WPost: Congress Must Act Quickly To Approve Next Aid Package.*** The Washington Post (4/8) editorializes that the overwhelming demand for the federal relief provided in the Cares Act rescue package shows that businesses need more help to survive, “to the tune of \$250 billion, according to Treasury Secretary Steven Mnuchin.” The Post urges lawmakers to “move with all deliberate speed on broad-based aid to the economy, including help to small businesses and other urgent priorities, while minimizing debate over policy changes, just as it did when it passed the Cares Act to begin with.” Their goal, the Post says, “should be a bill that expands aid while clarifying the legal and administrative issues that have impeded it so far.”

#### **Mnuchin: Direct Deposits Of Stimulus Checks Will Begin Next Week. (AP, FOXB)**

The AP (4/8, Mascaro, Colvin) reports Treasury Secretary Mnuchin is “telling House Democrats that direct deposits to Americans will begin next week under the coronavirus aid package.” Lawmakers have “raised concerns that the \$1,200 direct payments to Americans could be delayed for months for those who do not have direct deposit through Treasury.” Congress is debating the parameters of “the next potential coronavirus aid package” as President Trump “seeks \$250 billion for small businesses and Democrats propose tacking on another \$250 billion for small communities, protective gear and food stamps.”

Fox Business (4/8, Lawrence) reports the IRS “has sped up its process and is now targeting ‘early next week’ for the direct deposit checks.” The first checks “could be directly deposited as early as Monday or Tuesday with the first paper checks mailed starting April 20.” Secretary Mnuchin had originally “said the first direct deposits from the IRS would go out on April 17.”

#### **Mnuchin: Treasury And Fed Plan To Provide Additional Loans For Small Businesses. (POLITICO, BLOOM, REU, HILL)**

Politico (4/8, Guida) reports that Treasury Secretary Mnuchin indicated today that the Treasury and the Federal Reserve “hope to provide more details this week on an emergency lending facility directed toward medium-sized businesses, which have not yet benefited from the \$2 trillion economic rescue package signed into law last month.” Mnuchin is quoted as saying, “We are actively working with the Fed on a Main Street lending facility. We hope to have an announcement this week with the details on that



and get it up and running as soon as we can.” According to Politico, Mnuchin “said the facility would be aimed at businesses with more than 500 employees that don’t have access to the Fed’s corporate credit facilities, which will buy debt issued by large companies.” [Bloomberg](#) (4/8, Mohsin), [Reuters](#) (4/8, Schneider), and [The Hill](#) (4/8, Elis) also report.

### **Mnuchin Conveys Administration Support For Relief Spending Oversight. (BIZINDER)**

Jake Lahut writes for [Business Insider](#) (4/8) that one “day after President Trump raised eyebrows by abruptly firing the watchdog in charge of overseeing the \$2 trillion coronavirus stimulus package, Treasury Secretary Steven Mnuchin tried to reassure markets that there will still be strong oversight of the taxpayer funds.” During his CNBC interview Wednesday, Mnuchin said, “Well I think the president thought the appropriate oversight was very important, and that’s why he wanted to move forward quickly and nominate someone for this position. I think, you know, this is a new Inspector General that was set up under the CARES Act, it’s someone who has a lot of experience, and I look forward to working with him.”

### **Mnuchin Says He Expects New York Will Take Longer To Reopen Than Other Parts Of US. (CNBC, NSWK)**

[CNBC](#) (4/8, Breuninger) reports Treasury Secretary Steven Mnuchin “said Wednesday he expects New York, the financial capital of the U.S. and the epicenter of the nation’s coronavirus outbreak, will take longer to ‘reopen’ its economy than other parts of the country.” Mnuchin, “a member of President Donald Trump’s coronavirus task force, told CNBC’s ‘Squawk on the Street’ that the administration is eager to restart the areas of the U.S. economy that have been ground to a halt by the deadly pandemic.” But he “expects that ‘we’ll be opening it up based on medical conditions,’ rather than prioritizing states’ economic output.” [Newsweek](#) (4/8, Impelli) also reports.

### **Pence, Fauci Brief Lawmakers On Potential Ways To Return To “Normality.” (POLITICO)**

[Politico](#) (4/8, Zanona, Caygle) reports Vice President Mike Pence “and the coronavirus task force informed House lawmakers on Wednesday that the Trump administration is exploring ways to return to ‘normality’ and could soon unveil guidance for eventually reopening the country.” National Institute of Allergy and Infectious Diseases head Dr. Anthony Fauci, in separate calls with lawmakers from the two parties, “told lawmakers that administration officials are developing a framework for getting back to ‘normality’ and that he expects the White House to issue more guidance about eventually reopening society in the coming days.” Politico says that, in addition to Pence and Fauci, “other top officials on the call included Dr. Deborah Birx, Rear Adm. John Polowczyk and Treasury Secretary Steven Mnuchin.” During the calls Wednesday, Mnuchin “pitched lawmakers on the need for more immediate money for a small-business loans program and urged Congress to swiftly approve the White House’s request for \$250 billion in aid for small businesses.”

### **Banks Seek Relief From FinCEN Regulations On PPP Loans. (BLOOM)**

[Bloomberg](#) (4/8, Schmidt, Hamilton) reports lenders say that regulations by the Financial Crimes Enforcement Network (FinCEN) is the reason they are prioritizing existing customers in Paycheck Protection Program applications. Lenders have sought “relief from the stringent regulations” that they estimate impose “as much as two hours of work” on the initial steps of processing a new borrower’s application and then can require a month or longer to verify that the customer’s information is legitimate. Bankers “said they had repeatedly warned the Trump Administration that money-laundering rules would lead to problems” with the PPP program. Treasury Secretary Steven Mnuchin, “they said, has been very willing to cut red tape and address issues lenders have had that could slow down payouts.” But FinCEN

has thus far been “unresponsive to their concerns.” The banks are asking FinCEN to allow them to collect customer information and verify it after the PPP application is processed.

### **Treasury Officials Seek Financial Information From Airlines. (REU)**

Reuters (4/8, Rucinski, Shepardson) reports that officials from the Department of the Treasury “have asked airlines seeking government payroll support to provide additional detailed information on capital structure, liquidity and loyalty programs, people briefed on the matter told Reuters.” The Department of the Treasury has requested that airlines provide details about cash burn rate and when the airlines expect to run out of cash, as well as the value of airlines’ loyalty programs and unencumbered assets. Under the CARES Act, Treasury Secretary Steven Mnuchin “can demand equity, warrants or other financial instruments to ‘provide appropriate compensation to the federal government,’ a condition that has caused pushback by some airlines, unions and Democratic lawmakers.”

### **Treasury IG Sends Report On Department’s Handling Of Trump Tax Returns To House Dems. (HILL)**

The Hill (4/8, Jagoda) reports the Treasury Department’s IG office on Wednesday “sent a report about the department’s handling of House Democrats’ request for President Trump’s tax returns to key lawmakers.” Deputy Inspector General Richard Delmar, “who is currently the acting IG for Treasury, said in an email to The Hill that his office’s ‘inquiry report’ was sent to House Ways and Means Committee Chairman Richard Neal (D-Mass.), who requested the report, as well as the committee’s top Republican, Rep. Kevin Brady (R-Texas).” The Hill says the report’s contents “were not immediately known.”

### **BROADCAST LINKS**

#### **Mnuchin: Government Won’t Run Out Of PPP Money. (CNBC)**

Treasury Secretary Steven Mnuchin, in an interview Wednesday on CNBC’s Squawk On The Street (4/8), indicated that small businesses “should not worry about their odds of receiving relief funding from the federal government” because he is “confident Congress will approve additional funding on top of the original \$350 billion already being distributed.” Mnuchin is quoted as saying, “I want to assure all small businesses out there: We will not run out of money. The President has asked us to go back to Congress. We hope they pass this tomorrow or Friday. And we want to assure everybody if you don’t get a loan this week, you’ll get a loan next week or the following week. The money will be there.”

### **POLITICO MORNING MONEY**

**Get ready for another nightmare jobless claims number** — The weekly jobless claims number out at 8:30 a.m. — the most important economic data point we have right now — may come in under the massive 6.6 million we got last week. But perhaps not by much.

In just two weeks, we’ve seen around 10 million job losses. Labor economist (and MM high school classmate) Aaron Sojourner, who served at the CEA under President Barack Obama, says his model projects 5.1 million initial claims. And he’s been very close to nailing the numbers before. That would suggest an April jobs report showing a loss of 15 million jobs, a mind-boggling figure.

**Via Edward Moya, Senior Market Analyst at forex trading firm OANDA:** “This week’s median estimate for unemployment filings is 5 million, with some economists eyeing a reading in the 7-million area.



“Another fresh record high in jobless claims could be the straw that breaks this recent stock market rally's back and sees a return to the flight-to-safety trade. ... Over the next few weeks, the total amount of jobless claims could eventually soar as high as 20 million, if not higher.”

**Pantheon's Ian Shepherdson:** “We would be surprised to see a new record today, but our forecast is a huge 6.0M, above the 5.0M consensus. ... The most favorable data we can find for last week comes from Pennsylvania's daily claims numbers, which totaled 284K in the week ended April 4, down sharply from 406K in the week of March 28.

“If this were to be replicated nationally, the headline claims number would be about 4.3M. By contrast, Wisconsin's daily data show that claims in the state dipped only slightly across the same period, while Arizona ... reported a sharp increase, to 130K from 89K.”

A [good read here](#) from economist Kevin Rinz on how to read the jobless claims numbers.

**Powell prep** — Fed Chair Jerome Powell [speaks at Brookings this morning at 10:00 a.m.](#) on the central banks multiple efforts to fight the crushing economic impact of the virus. He will also take questions.

**Via Cowen's Jaret Seiberg:** “We expect he will discuss credit facilities the central bank may launch. This includes the Main Street loan program for mid-sized companies, which was mentioned ... in the Wells Fargo order. Also expected are a facility for Paycheck loans and hybrid debt. Servicer liquidity also is possible.”

**Sanders exit thrills Wall Street** — Stocks [immediately spiked higher](#) after [Bernie Sanders said he would suspend his campaign](#), leaving former VP Joe Biden as the presumptive Democratic nominee to face President Donald Trump in November. The two scariest candidates to Wall Street, Sanders and [Elizabeth Warren](#), are now gone.

Biden has suggested a financial transactions tax and some other stuff that Wall Street doesn't like. But he's not expected to bring the hammer down and he's got lots of well-heeled Wall Street backers.

**Cresset's Jack Ablin emails MM:** “The market had a slight upside skew this morning and rocketed after Bernie's announcement. How would you feel if the market rallied 700 points on the news you dropped out of the race? Anyone else would be offended. To Bernie, it's a badge of honor.”

## DRIVING THE DAY

Initial jobless claims at 8:30 a.m. expected to show a gain of around 5 million ... Fed Chair Powell [speaks at Brookings](#) at 10:00 a.m. ... The Senate will try to approve another \$250 billion for the Paycheck Protection Program for small business but Democrats say it won't clear the House without \$250 billion more for hospitals and local governments.

## CORONAVIRUS EFFECTS

**FED CAN SPEND BILLIONS WITHOUT RECORDS** — Our Maggie Severns and Victoria Guida: “Tucked into the recent recovery bill was a provision granting the Federal Reserve the right to set up a \$450 billion bailout plan without following key provisions of the federal open meetings law, including announcing its meetings or keeping most records about them, according to a POLITICO review of the legislation.

“The provision, the existence of which has not been previously reported, further calls into question the transparency and oversight for the biggest bailout law ever passed by Congress. ... Trump has indicated he [does not plan](#) to comply with another part of the new law intended to boost Congress' oversight powers of the bailout funds. And earlier this week, [Trump dismissed the government official](#) chosen as the chief watchdog for the stimulus package.”

**SWING STATES TAKE BIG EMPLOYMENT HITS** — Via Cowen's Chris Krueger: “Recessions generally destroy Presidential re-elects: 6 key states have 5100% rise in unemployment claims in 2 weeks.

"Trump won these 6 states by 455,204; the last 2 weeks have seen unemployment claims rise by 2,070,324. ... States included here are Arizona, Florida, Michigan, North Carolina, Pennsylvania and Wisconsin."

**STATES PLEAD FOR HELP ON JOBLESS CLAIMS** — Our Megan Cassella, Ian Kullgren and Katherine Landergan: "States are pleading for help from the Trump administration as they struggle to handle a torrent of unemployment claims that continues to swell as businesses remain shuttered across the country."

"In the three weeks since ... Trump signed legislation allocating \$1 billion to help states process jobless claims, the number of laid-off Americans applying for benefits has already surged past 10 million. ... Less than half of the money for administrative costs in the most recent stimulus bill has been distributed to states."

**THE PLAN TO REOPEN** — Our Melanie Zanona and Heather Caygle: "Vice President Mike Pence and the coronavirus task force informed House lawmakers on Wednesday that the Trump administration is exploring ways to return to 'normality' and could soon unveil guidance for eventually reopening the country."

**MM SIDEBAR** — There are various teams inside the White House working on these re-opening plans. Key players include NEC Director Larry Kudlow, temporary adviser Kevin Hassett and Jared Kushner. There will be consistent tension between those pushing for a swift open and those wanting to rely on the medical officials and err on the side of caution.

It's an absolutely critical issue. Everyone wants to get back to normal. But the rosier numbers coming out of the IHME model now depend on stringent social distancing measures staying in place through the end of May. Using the model's improved potential outcomes as a rationale to open things up sooner could be disastrous.

**NEXT DOSE OF CORONA MONEY CAST INTO CHAOS** — Our Heather Caygle, Burgess Everett and Jake Sherman: "Congress's latest tranche of coronavirus relief has been thrown into chaos. Republicans' plans to fast-track \$250 billion in new aid to small businesses on Thursday have been upended by Democrats' push to tack on \$250 billion more for hospitals and local governments."

"And the White House opposes approving the new money Democrats are seeking this week, according to multiple sources. But Speaker Nancy Pelosi says the Senate Republicans' plan to pass the new small business aid won't fly in her chamber's pro forma session on Friday, either."

**FED EASES CAPS ON WELLS** — Our Victoria Guida and Zachary Warmbrodt: "The Federal Reserve ... eased the punitive growth restrictions it placed on Wells Fargo after a raft of consumer abuse scandals, allowing the giant bank to offer government-backed loans to small and medium-sized businesses."

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**From:** (b)(6)  
**Sent:** Fri, 10 Apr 2020 08:30:17 -0400  
**To:** Hoover, Allie  
**Subject:** 04-10-2020 PA Senior Staff Notes  
**Attachments:** 04-10-2020 PA Senior Staff Notes.docx

April 10, 2020

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**Senate Democrats Block \$250B Small Business Fund Expansion. (AP, NYT, WP, POLITICO, HILL, BLOOM)**

The AP (4/9, Taylor, Mascaro) reports “Senators torpedoed quick passage of a new coronavirus aid package Thursday, with Democrats rejecting a Trump administration request for \$250 billion to boost a small business payroll fund and Republicans refusing Democrats’ demand for another \$250 billion for hospitals and states.” Democrats “are not opposed to boosting the payroll fund,” but House Speaker Pelosi “wants to ensure equity in lending to minority-owned businesses and others that may not have routine access to financial institutions.” Senate Majority Leader McConnell and Treasury Secretary Steven Mnuchin “say the ‘paycheck protection’ program, which involves direct subsidies to companies to keep employees on payroll and pay company rent, is on track to quickly deplete its first \$350 billion infusion as businesses rush to apply for the aid.”

The New York Times (4/9, Cochrane) says the standoff is “a prelude to what is likely to be a far more complicated and consequential set of negotiations over a more sweeping infusion of federal aid that lawmakers expect to consider in the coming weeks on the heels of the \$2 trillion stimulus law enacted late last month.” The Times reports Speaker Pelosi, “speaking during a news conference call, said that Steven Mnuchin, the Treasury secretary, had called her on Tuesday and ‘asked for a quarter of a trillion dollars in 48 hours with no data.’” The Washington Post (4/9, Werner, Debonis) reports Pelosi “said she had not spoken with Mnuchin on Thursday but reiterated that his proposed \$250 billion increase for the Paycheck Protection Program ‘would never pass the House by unanimous consent. It is the basis for some negotiation but it would never pass the House by unanimous consent.’” Mnuchin “told CNBC on Thursday that President Trump was willing to accept some additional demands as part of the administration’s request to Congress for the additional \$250 billion for the small business program.” Politico (4/9, Everett) reports Pelosi said, “Secretary Mnuchin called [Tuesday] and asked for a quarter of a trillion dollars in 48 hours with no data. This morning Leader McConnell honored that request – I say honored, really dishonored the needs that we have – with a stunt on the floor of the Senate.”

The Hill (4/9, Bolton) Senate Democrats “are negotiating with Treasury Secretary Steven Mnuchin in hopes of reaching a deal to provide an additional \$250 billion for a popular small-business emergency lending program and include in the same package more funds for hospitals and state governments.” Senate Minority Leader Chuck Schumer “has told colleagues he’s optimistic about reaching a deal with Mnuchin in the near future.” Mnuchin “is negotiating as well with Sens. Ben Cardin (Md.), the ranking

Democrat on the Small Business Committee, and Ron Wyden (Ore.), the ranking Democrat on the Finance Committee, who were central to working out a deal last month on the coronavirus relief package.” Bloomberg (4/9, Litvan, Dennis) also reports.

***Mnuchin Says All Small Businesses Will Be Able To Get Loans.*** In a phone interview Thursday on CNBC’s Squawk On The Street, Secretary Mnuchin said, “I want to encourage all small business that if they don’t get a loan today, there will be money. That’s why we went to Congress, and we asked Congress for another \$250 billion to make sure every single small business has money. ... The President has been very clear. He’s happy to talk about other issues such as hospitals and states in the next bill. But we wanted to go and get money for the small business program.”

**Mnuchin Says Economy Could Reopen In May. (HILL, POLITICO, REU, WP, WSJ, USAT, CNBC, BIZINDER, REALCLEAR)**

The Hill (4/9, Chalfant) reports Treasury Secretary Steven Mnuchin, in a CNBC interview, “said Thursday that he thought the United States could reopen the economy during the month of May.” Mnuchin said in the interview, “I think as soon as the president feels comfortable with the medical issues, we are making everything necessary that Americans companies and American workers can be open for business and that they have the liquidity to operate their business in the interim.” The Hill says Mnuchin’s remark “comes as Trump has expressed optimism about a ‘light at the end of the tunnel’ as coronavirus cases peak domestically.”

Politico (4/9, Warmbrodt) says Mnuchin “endorsed an optimistic prediction that the U.S. economy might reopen in May, even as more Americans die from Covid-19 and Federal Reserve Chair Jerome Powell warned against trying to return to normal too quickly.” Politico says Mnuchin’s comments “come as other White House advisers press for commerce to resume quickly – an aim that appears to contradict more cautious messages coming from medical experts. Businesses across the country have closed their doors over the past month as the U.S. tried to slow the spread of the pandemic.”

Reuters (4/9, Chiacu, Caspani), The Washington Post (4/9, Zapotosky, Dawsey, Real, Wan), The Wall Street Journal (4/9, Mitchell, Restuccia, Lubold), USA Today (4/9, Wu), CNBC (4/9, Higgins), Business Insider (4/9, Zeballos-Roig), and Real Clear Politics (4/9), among other outlets, also report.

**Mnuchin: Airline Relief Is Administration’s “Next Big Thing” To Roll Out. (REU, CNBC, WSJ, BLOOM, USAT, NYT, WASHEX, POLITICO)**

Reuters (4/9, Shepardson, Rucinski) reports Treasury Secretary Steven Mnuchin said he plans to discuss the Treasury Department’s plans to award \$32 billion in cash grants to US airlines with President Trump on Thursday. Mnuchin told CNBC (4/9) on Thursday, “We hope to get to a lot of the airlines starting tomorrow and over the weekend with preliminary information. And it is our objective to make sure, as I’ve said, this is not a bailout, but that airlines have the liquidity to keep their workers in place. So that’s the next big thing we’ll be rolling out.” Reuters reports White House economic adviser Larry Kudlow and Transportation Secretary Elaine Chao were expected to attend the meeting. According to sources, the Treasury Department is considering requiring the airlines to put up equity or warrants to receive the grants, and Mnuchin “has repeatedly said taxpayers will be compensated for the grants, but airline unions and some Democrats have urged him not to demand equity or warrants.” The Wall Street Journal (4/9, Davidson) reports major airlines including Delta Air Lines, American Airlines, and United Airlines have applied for the grants, which will be used to pay workers.

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release Direct Payroll Assistance funds – with as few restrictions as possible – to help U.S. airlines protect their 750,000 jobs, which is critically important amid our country’s record unemployment claims.” A second Bloomberg (4/9, Schlangenstein, Mohsin, Levin) story says airlines “are now being told they’ll have to wait at least another week for help covering payrolls as the U.S. Treasury Department makes its way through applications.”

USA Today (4/9, Woodyard) reports airlines “could be in line for more relief as they endure a dearth of passengers in the wake of the coronavirus pandemic, President Donald Trump said Thursday.” Trump told reporters the move to bailout airlines is “moving along quickly,” and the federal government “will be position to do a lot to help them.” Trump said the bailout packages is “Good for the country. Good for airlines. Good for a lot of people.”

Additional coverage of the airline bailout included Reuters (4/9, Lawder), New York (NY) Times (4/9, Smialek), CNBC (4/9, Hirsch), Washington (DC) Examiner (4/9, Heflin), and Politico (4/9, Mintz). **White House Putting Together Second Task Force To Coordinate Economic Recovery. (BLOOM, AP, CNBC, NSWK, ABCNEWS, HILL)**

Bloomberg (4/9, Jacobs, Fabian) reports that the White House is “considering whether to create a working group focused on reviving the U.S. economy after the coronavirus pandemic eases, and whether the panel should include private-sector representatives.” According to Bloomberg, “The discussions are in their early stages, according to three people familiar with the matter. Administration officials including” Treasury Secretary Steven Mnuchin, White House Chief of Staff Mark Meadows, White House senior adviser Jared Kushner and NEC Director Larry Kudlow “may be involved.” Bloomberg adds that Meadows “has also asked Trump’s daughter and senior adviser Ivanka Trump to join the group,” and Kevin Hassett, “the former chairman of the Council of Economic Advisers who recently returned to the White House to advise on virus-related matters, may also serve on the panel.”

In an analysis piece, the AP (4/9, Boak) says Trump, “no longer able to campaign on a half-century low unemployment rate...has begun to tell voters that he can quickly rebuild the economy,” and has “said measures like the \$2.2 trillion rescue package – with more money likely on the way – can send employment and economic growth to new highs.” According to the AP, Trump “has repeatedly sought to portray the situation as the U.S. economy being sideswiped by the ‘hidden enemy’ of COVID-19, which he and his advisers initially downplayed in February and March and later suggested was impossible to foresee.”

CNBC (4/9, Breuninger, Wilkie), Newsweek (4/9, Feinberg), ABC News (4/9, News), and The Hill (4/9, Carney) also report.

**Fintechs Frustrated At Government’s Slowness To Include Them In PPP. (NYT, REU)**

The New York Times (4/9, McCabe, Popper) reports online lenders were not able to take part in the Paycheck Protection Program for the first six days of its existence “even as small businesses complained about the difficulties in getting loans through traditional banks.” On March 29, Treasury Secretary Steven Mnuchin had said online lenders could be part of the program, even touting their potential to more quickly disburse funds to businesses, but they were only granted access to the application this past Wednesday, and “said they had received no guidance on how long it would be before they could begin lending.” Many lenders “expressed frustration that they have been shut out when they feel they could be the most useful.” The piece notes fintech companies “like PayPal and Square, and start-ups that do only small-business lending, like Kabbage and OnDeck, have specialized in giving loans to the businesses that are the focus of the government program – those with fewer than 500 employees – and doing it more quickly than banks.” The Times also says that, “while waiting for approval, some of the tech companies have tried to figure out workarounds. Kabbage and PayPal have teamed up with banks to process loans for them.”



***Non-Bank Lenders Allowed To Participate.*** Reuters (4/9, Price, Irrera) reports, “The U.S. government’s \$350 billion effort to help ailing small businesses took several steps forward on Thursday as regulators confirmed banks would not have to hold capital against loans made under the program, and non-bank lenders were admitted to it.” On Wednesday, the Small Business Administration and the Treasury Department, “published the application form for non-banks, subject to certain requirements.” That means companies like Kabbage, PayPal, Square “can directly join the program without having to partner with a traditional bank, increasing options for small and minority-owned businesses, many of which have struggled to find lenders to accept their applications.”

**Republican Senators Want Fossil Fuel Industry To Get Bailout Money. (BLOOM)**

Bloomberg (4/9, Rathi) reports that “a group of powerful Republican senators wants to make sure the bailout program being administered by BlackRock Inc. on behalf of the federal government won’t leave fossil-fuel companies behind.” The Chronicle says “the U.S. government tapped BlackRock, the world’s largest asset manager, to become the buyer of corporate bonds as part of a \$454 billion effort to bail out companies hit by the coronavirus lockdown.” Environmental organizations have urged “Federal Reserve Chairman Jerome Powell to weigh climate risk in its guidelines for BlackRock as it decides what sectors of the economy get financial support.” Now, a group of 17 Republican senators, “are asking Powell and U.S. Treasury Secretary Steven Mnuchin to ensure that fossil-fuel companies aren’t excluded from the bailout program being administered by BlackRock.”

**Senate Democrats Urge Carranza Reserve PPP Funds For Underserved Borrowers. (BIZMONTHLY)**

The Business Monthly (4/9) reports that in a letter to Small Business Administration Administrator Jovita Carranza and Treasury Secretary Steven Mnuchin Senate Democratic leaders wrote, “recommend that a portion of available PPP funding be reserved for those borrowers who do not have relationships with the traditional lender,” especially, in Business Monthly’s words, “those in underserved and rural markets, including businesses owned by veterans, minorities, women and businesses that have been in operation for less than 2 years.”

**USPS Warns Of Potential Collapse From Coronavirus Impact. (NYT, BIZINDER, WSJ, HILL)**

The New York Times (4/9, Fandos, Tankersley) reports the coronavirus pandemic “is ravaging the United States Postal Service, with mail volume down by nearly a third already compared to same time last year and dropping quickly, as businesses drastically cut back on solicitations, advertisements and all kinds of letters that make up the bulk of mail service’s bottom line.” The result, “the Postal Service told Congress on Thursday, is a multibillion-dollar financial shortfall that could cause one of the government’s oldest and most reliable entities to run out of cash by the end of September and throw regular delivery into doubt at a time when Americans may still be trapped at home.” The Times says Treasury Secretary Steven Mnuchin “squashed a bipartisan attempt to send the agency emergency funds last month, insisting instead that his department be given new authority to lend up to \$10 billion to the Postal Service on terms it helps set,” according to sources. Congressional negotiators “had reached a tentative deal last month to provide the Postal Service around \$13 billion in direct relief as part of the \$2 trillion stimulus law,” but “Mr. Mnuchin said the administration would not have it.”

Business Insider (4/9), the Wall Street Journal (4/9, Ziobro), and The Hill (4/9, Johnson) also report.

**Commentary: Fed Puts Pressure On Treasury With Loan Initiative. (BLMOPIN)**

In his Bloomberg Opinion (4/9) column, Joe Nocera says there is “an important subtext to the Federal Reserve’s announcement on Thursday that it would provide up to \$2.3 trillion in loans to prop up the economy,” which is “that the Fed is using the announcement to put pressure on the Treasury Department.” Nocera says the Treasury Department “believes that after the crisis is over, the government



should be able to recoup – and perhaps even turn a profit on – the loans it will be making.” By contrast, the Fed “believes that this crisis is so dire that the government needs to be willing to lose money to keep the country from falling into a depression.” Nocera argues that, “In effect, by putting out its Thursday announcement, the Fed is pressing Treasury to see things its way,” and that ultimately, “the Treasury Department, not the Fed, will decide which companies receive bailout money.”

## **MAJOR DEPARTMENT MENTIONS**

### **Trump Allies Sound Reelection Alarms, Say Mnuchin Thinking Too Short-Term. (AXIOS)**

Axios (4/9, Treene) reports there is “growing concern among top conservative leaders that the Trump administration isn’t addressing the long-term economic impact of the coronavirus, several sources tell Axios. One top adviser said if the recovery is bungled it could cost President Trump the election.” Axios says conservative leaders like former Rep. David McIntosh “said they worry that there isn’t enough attention being placed on the longer-term, post-coronavirus economic strategy.” Treasury Secretary Steven Mnuchin “has been singled out for some of the sharpest criticism.” McIntosh told Axios, “I don’t think [Mnuchin] has yet started thinking about that long-term, how do we incentivize the rapid recovery or the V-shape bounce back?” A “conservative strategist” told Axios, “Red flags are going up. We understand that there is this sort of survival phase, but there’s a concern that Mnuchin is overplaying that and not looking ahead. The emerging consensus is the next phase needs to be about economic growth, not about making government bigger through massive spending and increased regulation that stifles the economic recovery.”

## **BROADCAST LINKS**

### **Mnuchin Says All Small Businesses Will Be Able To Get Loans. (CNBC)**

In a phone interview Thursday on CNBC’s Squawk On The Street (4/9), Secretary Mnuchin said, “I want to encourage all small business that if they don’t get a loan today, there will be money. That’s why we went to Congress, and we asked Congress for another \$250 billion to make sure every single small business has money. ... The President has been very clear. He’s happy to talk about other issues such as hospitals and states in the next bill. But we wanted to go and get money for the small business program.”

## **POLITICO MORNING MONEY**

**Has Wall Street gone crazy?** — The S&P just wrapped up its best week since 1974 (markets are closed today for Good Friday). We also learned this week that the Covid-19 virus has wiped out 17 million jobs in just three weeks, 10 percent of the entire America work force.

We also have plunging oil prices, a newly dysfunctional Congress, a troubled small business rescue program and no real clarity on when the economy will be able to fully re-open. House Speaker Nancy Pelosi warned President Trump on Thursday not to push for a premature re-opening.

**The economy is likely to shrink by as much as 30 percent**, or more, on an annualized basis in the second quarter. The unemployment rate right now is likely around 15 percent, well above the Great Recession high of 10 percent. It will go higher. Oil prices continue to sink. Production cuts agreed to by the big producing nations do not appear to be nearly big enough to match plunging demand.

Investors are betting that the “Great Covid-19 Recession,” as Morgan Stanley dubbed it on Thursday, will be appallingly terrible but remarkably short. It is by no means a safe bet.

**Here’s how JPMorgan’s Michael Feroli, Jesse Edgerton and Daniel Silver put it:** “The second-half recovery is predicated on an assumption that activity starts to pick up in June and steadily increases in a fairly linear manner after that. Risks around this assumption are skewed in one direction. The overseas

experience indicates that second and third waves of COVID-19 outbreaks can occur after false dawns. This is a clear downside risk to our outlook.”

## **DRIVING THE DAY**

**There are several reasons for the current Wall Street giddiness.** One is bullish talk from Trump and senior administration about getting the economy running again in May. Another is a general belief that the efforts by Congress to flood the economy with cash will help ensure that, once the doors finally open again, there will be a massive surge in re-hiring and a rapid snap back in economic growth.

But by far the biggest reason comes courtesy of a man President Donald Trump previously savaged as a clueless dunce: Federal Reserve Chairman Jerome Powell.

**FED FIRES ANOTHER GIANT BLAST** — The trigger for the stock market’s gains was a perfectly timed cannonade blast from the Fed. At exactly 8:30 a.m., when news of 6.6 million more unemployment claims hit the wires, the central bank said it would pump more than \$2 trillion in loans to businesses of all sizes, as well as buy up the bonds of troubled city and state governments along with riskier corporate debt.

The Fed is basically saying it will buy up anything and everything it can to keep the coronavirus recession from dragging on or turning into a prolonged depression. The giant intervention easily overrode the fact that Congress cannot agree on a deal to add more money to its already-troubled small business rescue program. Even though there is not really that much disagreement over what cash needs to be spent. This seems like a partisan fight for the sake of partisan fighting.

**AND WALL STREET COULD HAVE IT TOTALLY WRONG** — Dr. Anthony Fauci told NBC that the Covid-19 death toll could look more like 60,000 than previous estimates of 100,000 to 200,000. But reaching that lower figure depends on maintaining stringent stay-at-home social distancing practices through the end of May at least. And that could conflict with Trump’s strong desire to lift restrictions in as many places as possible as soon as possible to goose the economy and his re-election campaign.

Various task forces — as mentioned in MM Thursday and more widely reported today — are being contemplated inside the White House to execute on the president’s desires. But if the economy re-opens too soon, the virus could rampage once again and markets could crash once more.

The rapid economic snap back theory also holds that money will reach small and midsize businesses fast enough to allow them to avoid failure in the coming weeks. Analysts suggesting the market has already hit bottom and the Covid-19 threat is waning may prove correct. But the potential for a prolonged downturn remains.

**FIRST LOOK: PPP ESTIMATES** — Via Deloitte Consulting’s Richard Walker: “Deloitte forecasts that the average loan amount will be around \$75,000, which could result in 4-plus million loans being originated over the next 30 days. That’s more than 60 times the SBA loan volume across all of last year, processed in just one month.”

**NEW ECON NUMBERS FROM NABE** — From the latest National Association for Business Economics April 2020 Outlook Flash: “The consensus is real GDP declined at an annualized rate of 2.4% in the first quarter of 2020, and will shrink at an annualized rate of 26.5% in the second quarter.

“The panel is optimistic about a return to economic growth in the latter half of 2020, anticipating an annualized real GDP growth rate of 2.0% in the third quarter ... Panelists expect a short, sharp recession.”

**MORE PPP TROUBLE AHEAD?** — Our Zachary Warmbrodt: “Banks are warning that a beleaguered \$350 billion small business rescue program could become even more backed up Friday when the nation’s self-employed business owners will be eligible to apply for the government-backed loans.



“Since the so-called Paycheck Protection Program launched April 3, banks have struggled to process a barrage of loan applications amid constant technical breakdowns and a lack of guidance from the Trump administration. ... Demand for the loans has been huge, with businesses enticed by terms that allow the loans to be forgiven if borrowers maintain their payroll.”

**WILL BANKS GET TO KEEP LIGHTER REGS?** — Our Victoria Guida: “Federal agencies are easing rules on banks to ensure they can keep lending to households and businesses during a recession, but that's triggering concern among lawmakers that the lighter regulations will continue even after the emergency ends.

“The Federal Reserve and other regulators in recent weeks have allowed banks to hold less loss-absorbing capital on their books, delayed rules that would require them to start preparing earlier for potential losses on new loans and made it easier for smaller banks to operate under a higher debt load, among other moves.”

**MORE ON THE ECON “TASK FORCE”** — Our Ben Schreckinger: “On Monday, Fox News’ Sean Hannity took to the airwaves to call on ... Trump to form an economic recovery task force, and suggest that economist Art Laffer, specifically, be appointed. ...

“The sequence has set off fevered speculation — and in some quarters, consternation — that Laffer, who made his name in the 1980s as Ronald Reagan’s guru of supply-side economics, would come out of retirement to lead the administration’s recovery response.

“Such worries may be premature. Reached by phone at his home in Kentucky, Laffer told POLITICO he has not been contacted by the Trump administration about serving on a recovery task force, formally or otherwise — though he said he has seen the clip of Trump praising him on Fox News.”

**BUSINESS LEADERS ALSO SEE SHORT RECESSION** — Via an S&P Global webinar survey of over 2,000 market participants and business leaders asked “How will the economic impact of COVID-19 play out?”: “11.8% - Deep recession, quick complete recovery; 58.4% - Deep recession, slower but largely complete recovery; 29.8% - Prolonged deep recession, in waves, slower growth ahead.”

**FOX POLL SHOWS EVEN SPLIT FOR TRUMP ON VIRUS RESPONSE** — Our Matthew Choi: “Voters are evenly split in their views on ... Trump in light of the coronavirus crisis, according to a [Fox News poll](#) released Thursday. The poll, based on interviews conducted between April 4 to 7, showed 49 percent of respondents approved of Trump, while 49 percent disapproved.

“Support between Trump and Democratic presidential candidate Joe Biden also remains evenly split, with each receiving 42 percent support from respondents. Those numbers come in contrast to a [spate of polls](#) released Wednesday that showed a general trend of disapproval toward the president.”

**POWELL LEAVES DOOR OPEN FOR SERVICERS** — Our Victoria Guida: “Federal Reserve Chair Jerome Powell ... left the door open for the central bank to provide support for mortgage servicers, as they attempt to weather a [wave of missed payments](#) from borrowers during the coronavirus pandemic.”

**HUGE DEMAND FOR PPP LOANS** — Via NFIB: “About 70% of small business owners tried to apply for the loan with varying degrees of success. Of the 30% who have not actively tried to apply, one-third of them plan to in the next month and 36% are considering it.”

**COMING FRIDAY** — The Peterson Institute for International Economics will release its semiannual global economic forecast at noon on Friday, with PIIE’s Karen Dynan (former US Treasury Department chief economist), Olivier Blanchard (former IMF chief economist), and Martin Chorzempa [announcing their projections here](#).

## MARKETS

**STOCKS CLOSE OUT BEST WEEK SINCE 1974** — AP’s Stan Choe and Alex Veiga: “The S&P 500 index closed out its best week since 1974 with another gain Thursday after the Federal Reserve launched its latest unprecedented effort to support the economy through the coronavirus outbreak.

“The central bank’s announcement of programs to provide up to \$2.3 trillion in loans to households, local governments and businesses overshadowed a report that another 6.6 million people applied for unemployment benefits last week. The Fed’s actions, as well as efforts by Congress, are aimed at alleviating the tremendous strains on the economy caused by the widespread business shutdowns and travel restrictions put in place to stem the spread of the virus.”

**FROZEN HOUSING MARKET RELIES ON DEALS, DESPERATION** — Bloomberg’s Prashant Gopal, Noah Buhayar and Oshrat Carmiel: “Jim Morris is on the hunt for a South Florida mansion, at a bargain price. He’s got money to spend and few competitors house-shopping during a pandemic. He just needs to find a motivated seller willing to make a deal. This is what’s left of the U.S. housing market.”

#### **FLY AROUND**

**PROGRESSIVES TO BIDEN: KEEP WALL STREET OUT** — CNBC’s Brian Schwartz: “Progressive groups that have often been aligned with Sen. Bernie Sanders are pushing Joe Biden to keep Wall Street executives and business leaders from being part of his administration if he wins the presidency.”

**IMF SEES WORST ECONOMIC DOWNTURN SINCE GREAT DEPRESSION** — AP’s Martin Crutsinger: “The coronavirus pandemic will push the global economy into the deepest recession since the Great Depression, with the world’s poorest countries suffering the most, the head of the International Monetary Fund said Thursday.”

**BOFA TRADERS FEEL PRESSURE TO GO INTO THE OFFICE** — NYT’s Kate Kelly and Jessica Silver-Greenberg: “When a group of Bank of America employees dialed into a call with their boss, Soofian Zuberi, late last month, they were expecting to hear that they could continue doing their jobs from the safety of their homes. ...

“Mr. Zuberi provided no such comfort. Instead, the global sales executive praised individuals by name who were still braving the office, calling them out as if they were soldiers in an ongoing battle, according to three people on the call, which took place on March 27.”

#### **CITIGROUP STARTS ACCEPTING PAYCHECK PROTECTION PROGRAM**

**APPLICATIONS** — Reuters’ Imani Moise: “Citigroup Inc said on Thursday, that it has started accepting applications for the \$349 billion small business bailout fund. The third largest U.S. bank by assets said it will provide digital applications to existing clients that meet certain criteria in phases and that clients can register their interest online.”



April 10, 2020

## Public Affairs Notes:

### This week:

- There are no public events to report for the remainder of the week. Updates will be provided as they become available.

### SECRETARY MENTIONS

#### **Senate Democrats Block \$250B Small Business Fund Expansion. (AP, NYT, WP, POLITICO, HILL, BLOOM)**

The AP (4/9, Taylor, Mascaro) reports “Senators torpedoed quick passage of a new coronavirus aid package Thursday, with Democrats rejecting a Trump administration request for \$250 billion to boost a small business payroll fund and Republicans refusing Democrats’ demand for another \$250 billion for hospitals and states.” Democrats “are not opposed to boosting the payroll fund,” but House Speaker Pelosi “wants to ensure equity in lending to minority-owned businesses and others that may not have routine access to financial institutions.” Senate Majority Leader McConnell and Treasury Secretary Steven Mnuchin “say the ‘paycheck protection’ program, which involves direct subsidies to companies to keep employees on payroll and pay company rent, is on track to quickly deplete its first \$350 billion infusion as businesses rush to apply for the aid.”

The New York Times (4/9, Cochrane) says the standoff is “a prelude to what is likely to be a far more complicated and consequential set of negotiations over a more sweeping infusion of federal aid that lawmakers expect to consider in the coming weeks on the heels of the \$2 trillion stimulus law enacted late last month.” The Times reports Speaker Pelosi, “speaking during a news conference call, said that Steven Mnuchin, the Treasury secretary, had called her on Tuesday and ‘asked for a quarter of a trillion dollars in 48 hours with no data.’” The Washington Post (4/9, Werner, Debonis) reports Pelosi “said she had not spoken with Mnuchin on Thursday but reiterated that his proposed \$250 billion increase for the Paycheck Protection Program ‘would never pass the House by unanimous consent. It is the basis for some negotiation but it would never pass the House by unanimous consent.’” Mnuchin “told CNBC on Thursday that President Trump was willing to accept some additional demands as part of the administration’s request to Congress for the additional \$250 billion for the small business program.” Politico (4/9, Everett) reports Pelosi said, “Secretary Mnuchin called [Tuesday] and asked for a quarter of a trillion dollars in 48 hours with no data. This morning Leader McConnell honored that request – I say honored, really dishonored the needs that we have – with a stunt on the floor of the Senate.”

The Hill (4/9, Bolton) Senate Democrats “are negotiating with Treasury Secretary Steven Mnuchin in hopes of reaching a deal to provide an additional \$250 billion for a popular small-business emergency lending program and include in the same package more funds for hospitals and state governments.” Senate Minority Leader Chuck Schumer “has told colleagues he’s optimistic about reaching a deal with Mnuchin in the near future.” Mnuchin “is negotiating as well with Sens. Ben Cardin (Md.), the ranking Democrat on the Small Business Committee, and Ron Wyden (Ore.), the ranking Democrat on the Finance Committee, who were central to working out a deal last month on the coronavirus relief package.” Bloomberg (4/9, Litvan, Dennis) also reports.

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Additional coverage of the airline bailout included Reuters (4/9, Lawder), New York (NY) Times (4/9, Smialek), CNBC (4/9, Hirsch), Washington (DC) Examiner (4/9, Heflin), and Politico (4/9, Mintz).

### **White House Putting Together Second Task Force To Coordinate Economic Recovery. (BLOOM, AP, CNBC, NSWK, ABCNEWS, HILL)**

Bloomberg (4/9, Jacobs, Fabian) reports that the White House is “considering whether to create a working group focused on reviving the U.S. economy after the coronavirus pandemic eases, and whether the panel should include private-sector representatives.” According to Bloomberg, “The discussions are in their early stages, according to three people familiar with the matter. Administration officials including” Treasury Secretary Steven Mnuchin, White House Chief of Staff Mark Meadows, White House senior adviser Jared Kushner and NEC Director Larry Kudlow “may be involved.” Bloomberg adds that Meadows “has also asked Trump’s daughter and senior adviser Ivanka Trump to join the group,” and Kevin Hassett, “the former chairman of the Council of Economic Advisers who recently returned to the White House to advise on virus-related matters, may also serve on the panel.”

In an analysis piece, the AP (4/9, Boak) says Trump, “no longer able to campaign on a half-century low unemployment rate...has begun to tell voters that he can quickly rebuild the economy,” and has “said measures like the \$2.2 trillion rescue package – with more money likely on the way – can send employment and economic growth to new highs.” According to the AP, Trump “has repeatedly sought to portray the situation as the U.S. economy being sideswiped by the ‘hidden enemy’ of COVID-19, which he and his advisers initially downplayed in February and March and later suggested was impossible to foresee.”

CNBC (4/9, Breuninger, Wilkie), Newsweek (4/9, Feinberg), ABC News (4/9, News), and The Hill (4/9, Carney) also report.

### **Fintechs Frustrated At Government’s Slowness To Include Them In PPP. (NYT, REU)**

The New York Times (4/9, McCabe, Popper) reports online lenders were not able to take part in the Paycheck Protection Program for the first six days of its existence “even as small businesses complained about the difficulties in getting loans through traditional banks.” On March 29, Treasury Secretary Steven Mnuchin had said online lenders could be part of the program, even touting their potential to more quickly disburse funds to businesses, but they were only granted access to the application this past Wednesday, and “said they had received no guidance on how long it would be before they could begin lending.” Many lenders “expressed frustration that they have been shut out when they feel they could be the most useful.” The piece notes fintech companies “like PayPal and Square, and start-ups that do only small-business lending, like Kabbage and OnDeck, have specialized in giving loans to the businesses that are the focus of the government program – those with fewer than 500 employees – and doing it more quickly than banks.” The Times also says that, “while waiting for approval, some of the tech companies have tried to figure out workarounds. Kabbage and PayPal have teamed up with banks to process loans for them.”

***Non-Bank Lenders Allowed To Participate.*** Reuters (4/9, Price, Irrera) reports, “The U.S. government’s \$350 billion effort to help ailing small businesses took several steps forward on Thursday as regulators confirmed banks would not have to hold capital against loans made under the program, and non-bank lenders were admitted to it.” On Wednesday, the Small Business Administration and the

Treasury Department, “published the application form for non-banks, subject to certain requirements.” That means companies like Kabbage, PayPal, Square “can directly join the program without having to partner with a traditional bank, increasing options for small and minority-owned businesses, many of which have struggled to find lenders to accept their applications.”

### **Republican Senators Want Fossil Fuel Industry To Get Bailout Money. (BLOOM)**

Bloomberg (4/9, Rathi) reports that “a group of powerful Republican senators wants to make sure the bailout program being administered by BlackRock Inc. on behalf of the federal government won’t leave fossil-fuel companies behind.” The Chronicle says “the U.S. government tapped BlackRock, the world’s largest asset manager, to become the buyer of corporate bonds as part of a \$454 billion effort to bail out companies hit by the coronavirus lockdown.” Environmental organizations have urged “Federal Reserve Chairman Jerome Powell to weigh climate risk in its guidelines for BlackRock as it decides what sectors of the economy get financial support.” Now, a group of 17 Republican senators, “are asking Powell and U.S. Treasury Secretary Steven Mnuchin to ensure that fossil-fuel companies aren’t excluded from the bailout program being administered by BlackRock.”

### **Senate Democrats Urge Carranza Reserve PPP Funds For Underserved Borrowers. (BIZMONTHLY)**

The Business Monthly (4/9) reports that in a letter to Small Business Administration Administrator Jovita Carranza and Treasury Secretary Steven Mnuchin Senate Democratic leaders wrote, “recommend that a portion of available PPP funding be reserved for those borrowers who do not have relationships with the traditional lender,” especially, in Business Monthly’s words, “those in underserved and rural markets, including businesses owned by veterans, minorities, women and businesses that have been in operation for less than 2 years.”

### **USPS Warns Of Potential Collapse From Coronavirus Impact. (NYT, BIZINDER, WSJ, HILL)**

The New York Times (4/9, Fandos, Tankersley) reports the coronavirus pandemic “is ravaging the United States Postal Service, with mail volume down by nearly a third already compared to same time last year and dropping quickly, as businesses drastically cut back on solicitations, advertisements and all kinds of letters that make up the bulk of mail service’s bottom line.” The result, “the Postal Service told Congress on Thursday, is a multibillion-dollar financial shortfall that could cause one of the government’s oldest and most reliable entities to run out of cash by the end of September and throw regular delivery into doubt at a time when Americans may still be trapped at home.” The Times says Treasury Secretary Steven Mnuchin “squashed a bipartisan attempt to send the agency emergency funds last month, insisting instead that his department be given new authority to lend up to \$10 billion to the Postal Service on terms it helps set,” according to sources. Congressional negotiators “had reached a tentative deal last month to provide the Postal Service around \$13 billion in direct relief as part of the \$2 trillion stimulus law,” but “Mr. Mnuchin said the administration would not have it.”

Business Insider (4/9), the Wall Street Journal (4/9, Ziobro), and The Hill (4/9, Johnson) also report.

### **Commentary: Fed Puts Pressure On Treasury With Loan Initiative. (BLMOPIN)**

In his Bloomberg Opinion (4/9) column, Joe Nocera says there is “an important subtext to the Federal Reserve’s announcement on Thursday that it would provide up to \$2.3 trillion in loans to prop up the economy,” which is “that the Fed is using the announcement to put pressure on the Treasury Department.” Nocera says the Treasury Department “believes that after the crisis is over, the government should be able to recoup – and perhaps even turn a profit on – the loans it will be making.” By contrast, the Fed “believes that this crisis is so dire that the government needs to be willing to lose money to keep



the country from falling into a depression.” Nocera argues that, “In effect, by putting out its Thursday announcement, the Fed is pressing Treasury to see things its way,” and that ultimately, “the Treasury Department, not the Fed, will decide which companies receive bailout money.”

## **MAJOR DEPARTMENT MENTIONS**

### **Trump Allies Sound Reelection Alarms, Say Mnuchin Thinking Too Short-Term. (AXIOS)**

Axios (4/9, Treene) reports there is “growing concern among top conservative leaders that the Trump administration isn’t addressing the long-term economic impact of the coronavirus, several sources tell Axios. One top adviser said if the recovery is bungled it could cost President Trump the election.” Axios says conservative leaders like former Rep. David McIntosh “said they worry that there isn’t enough attention being placed on the longer-term, post-coronavirus economic strategy.” Treasury Secretary Steven Mnuchin “has been singled out for some of the sharpest criticism.” McIntosh told Axios, “I don’t think [Mnuchin] has yet started thinking about that long-term, how do we incentivize the rapid recovery or the V-shape bounce back?” A “conservative strategist” told Axios, “Red flags are going up. We understand that there is this sort of survival phase, but there’s a concern that Mnuchin is overplaying that and not looking ahead. The emerging consensus is the next phase needs to be about economic growth, not about making government bigger through massive spending and increased regulation that stifles the economic recovery.”

## **BROADCAST LINKS**

### **Mnuchin Says All Small Businesses Will Be Able To Get Loans. (CNBC)**

In a phone interview Thursday on CNBC’s Squawk On The Street (4/9), Secretary Mnuchin said, “I want to encourage all small business that if they don’t get a loan today, there will be money. That’s why we went to Congress, and we asked Congress for another \$250 billion to make sure every single small business has money. ... The President has been very clear. He’s happy to talk about other issues such as hospitals and states in the next bill. But we wanted to go and get money for the small business program.”

## **POLITICO MORNING MONEY**

**Has Wall Street gone crazy?** — The S&P just wrapped up its best week since 1974 (markets are closed today for Good Friday). We also learned this week that the Covid-19 virus has wiped out 17 million jobs in just three weeks, 10 percent of the entire America work force.

We also have plunging oil prices, a newly dysfunctional Congress, a troubled small business rescue program and no real clarity on when the economy will be able to fully re-open. House Speaker Nancy Pelosi warned President Trump on Thursday not to push for a premature re-opening.

**The economy is likely to shrink by as much as 30 percent**, or more, on an annualized basis in the second quarter. The unemployment rate right now is likely around 15 percent, well above the Great Recession high of 10 percent. It will go higher. Oil prices continue to sink. Production cuts agreed to by the big producing nations do not appear to be nearly big enough to match plunging demand.

Investors are betting that the “Great Covid-19 Recession,” as Morgan Stanley dubbed it on Thursday, will be appallingly terrible but remarkably short. It is by no means a safe bet.

**Here’s how JPMorgan’s Michael Feroli, Jesse Edgerton and Daniel Silver put it:** “The second-half recovery is predicated on an assumption that activity starts to pick up in June and steadily increases in a fairly linear manner after that. Risks around this assumption are skewed in one direction. The overseas

experience indicates that second and third waves of COVID-19 outbreaks can occur after false dawns. This is a clear downside risk to our outlook.”

## DRIVING THE DAY

**There are several reasons for the current Wall Street giddiness.** One is bullish talk from Trump and senior administration about getting the economy running again in May. Another is a general belief that the efforts by Congress to flood the economy with cash will help ensure that, once the doors finally open again, there will be a massive surge in re-hiring and a rapid snap back in economic growth.

But by far the biggest reason comes courtesy of a man President Donald Trump previously savaged as a clueless dunce: Federal Reserve Chairman Jerome Powell.

**FED FIRES ANOTHER GIANT BLAST** — The trigger for the stock market’s gains was a perfectly timed cannonade blast from the Fed. At exactly 8:30 a.m., when news of 6.6 million more unemployment claims hit the wires, the central bank said it would pump more than \$2 trillion in loans to businesses of all sizes, as well as buy up the bonds of troubled city and state governments along with riskier corporate debt.

The Fed is basically saying it will buy up anything and everything it can to keep the coronavirus recession from dragging on or turning into a prolonged depression. The giant intervention easily overrode the fact that Congress cannot agree on a deal to add more money to its already-troubled small business rescue program. Even though there is not really that much disagreement over what cash needs to be spent. This seems like a partisan fight for the sake of partisan fighting.

**AND WALL STREET COULD HAVE IT TOTALLY WRONG** — Dr. Anthony Fauci told NBC that the Covid-19 death toll could look more like 60,000 than previous estimates of 100,000 to 200,000. But reaching that lower figure depends on maintaining stringent stay-at-home social distancing practices through the end of May at least. And that could conflict with Trump’s strong desire to lift restrictions in as many places as possible as soon as possible to goose the economy and his re-election campaign.

Various task forces — as mentioned in MM Thursday and more widely reported today — are being contemplated inside the White House to execute on the president’s desires. But if the economy re-opens too soon, the virus could rampage once again and markets could crash once more.

The rapid economic snap back theory also holds that money will reach small and midsize businesses fast enough to allow them to avoid failure in the coming weeks. Analysts suggesting the market has already hit bottom and the Covid-19 threat is waning may prove correct. But the potential for a prolonged downturn remains.

**FIRST LOOK: PPP ESTIMATES** — Via Deloitte Consulting’s Richard Walker: “Deloitte forecasts that the average loan amount will be around \$75,000, which could result in 4-plus million loans being originated over the next 30 days. That’s more than 60 times the SBA loan volume across all of last year, processed in just one month.”

**NEW ECON NUMBERS FROM NABE** — From the latest National Association for Business Economics April 2020 Outlook Flash: “The consensus is real GDP declined at an annualized rate of 2.4% in the first quarter of 2020, and will shrink at an annualized rate of 26.5% in the second quarter.

“The panel is optimistic about a return to economic growth in the latter half of 2020, anticipating an annualized real GDP growth rate of 2.0% in the third quarter ... Panelists expect a short, sharp recession.”

**MORE PPP TROUBLE AHEAD?** — Our Zachary Warmbrodt: “Banks are warning that a beleaguered \$350 billion small business rescue program could become even more backed up Friday when the nation’s self-employed business owners will be eligible to apply for the government-backed loans.

“Since the so-called Paycheck Protection Program launched April 3, banks have struggled to process a barrage of loan applications amid constant technical breakdowns and a lack of guidance from the Trump



administration. ... Demand for the loans has been huge, with businesses enticed by terms that allow the loans to be forgiven if borrowers maintain their payroll.”

**WILL BANKS GET TO KEEP LIGHTER REGS?** — Our Victoria Guida: “Federal agencies are easing rules on banks to ensure they can keep lending to households and businesses during a recession, but that’s triggering concern among lawmakers that the lighter regulations will continue even after the emergency ends.

“The Federal Reserve and other regulators in recent weeks have allowed banks to hold less loss-absorbing capital on their books, delayed rules that would require them to start preparing earlier for potential losses on new loans and made it easier for smaller banks to operate under a higher debt load, among other moves.”

**MORE ON THE ECON “TASK FORCE”** — Our Ben Schreckinger: “On Monday, Fox News’ Sean Hannity took to the airwaves to call on .... Trump to form an economic recovery task force, and suggest that economist Art Laffer, specifically, be appointed. ...

“The sequence has set off fevered speculation — and in some quarters, consternation — that Laffer, who made his name in the 1980s as Ronald Reagan’s guru of supply-side economics, would come out of retirement to lead the administration’s recovery response.

“Such worries may be premature. Reached by phone at his home in Kentucky, Laffer told POLITICO he has not been contacted by the Trump administration about serving on a recovery task force, formally or otherwise — though he said he has seen the clip of Trump praising him on Fox News.”

**BUSINESS LEADERS ALSO SEE SHORT RECESSION** — Via an S&P Global webinar survey of over 2,000 market participants and business leaders asked “How will the economic impact of COVID-19 play out?”: “11.8% - Deep recession, quick complete recovery; 58.4% - Deep recession, slower but largely complete recovery; 29.8% - Prolonged deep recession, in waves, slower growth ahead.”

**FOX POLL SHOWS EVEN SPLIT FOR TRUMP ON VIRUS RESPONSE** — Our Matthew Choi: “Voters are evenly split in their views on ... Trump in light of the coronavirus crisis, according to a [Fox News poll](#) released Thursday. The poll, based on interviews conducted between April 4 to 7, showed 49 percent of respondents approved of Trump, while 49 percent disapproved.

“Support between Trump and Democratic presidential candidate Joe Biden also remains evenly split, with each receiving 42 percent support from respondents. Those numbers come in contrast to a [spate of polls](#) released Wednesday that showed a general trend of disapproval toward the president.”

**POWELL LEAVES DOOR OPEN FOR SERVICERS** — Our Victoria Guida: “Federal Reserve Chair Jerome Powell ... left the door open for the central bank to provide support for mortgage servicers, as they attempt to weather a [wave of missed payments](#) from borrowers during the coronavirus pandemic.”

**HUGE DEMAND FOR PPP LOANS** — Via NFIB: “About 70% of small business owners tried to apply for the loan with varying degrees of success. Of the 30% who have not actively tried to apply, one-third of them plan to in the next month and 36% are considering it.”

**COMING FRIDAY** — The Peterson Institute for International Economics will release its semiannual global economic forecast at noon on Friday, with PIIE’s Karen Dynan (former US Treasury Department chief economist), Olivier Blanchard (former IMF chief economist), and Martin Chorzempa [announcing their projections here](#).

## MARKETS

**STOCKS CLOSE OUT BEST WEEK SINCE 1974** — AP’s Stan Choe and Alex Veiga: “The S&P 500 index closed out its best week since 1974 with another gain Thursday after the Federal Reserve launched its latest unprecedented effort to support the economy through the coronavirus outbreak.

“The central bank’s announcement of programs to provide up to \$2.3 trillion in loans to households, local governments and businesses overshadowed a report that another 6.6 million people applied for unemployment benefits last week. The Fed’s actions, as well as efforts by Congress, are aimed at alleviating the tremendous strains on the economy caused by the widespread business shutdowns and travel restrictions put in place to stem the spread of the virus.”

**FROZEN HOUSING MARKET RELIES ON DEALS, DESPERATION** — Bloomberg’s Prashant Gopal, Noah Buhayar and Oshrat Carmiel: “Jim Morris is on the hunt for a South Florida mansion, at a bargain price. He’s got money to spend and few competitors house-shopping during a pandemic. He just needs to find a motivated seller willing to make a deal. This is what’s left of the U.S. housing market.”

## **FLY AROUND**

**PROGRESSIVES TO BIDEN: KEEP WALL STREET OUT** — CNBC’s Brian Schwartz: “Progressive groups that have often been aligned with Sen. Bernie Sanders are pushing Joe Biden to keep Wall Street executives and business leaders from being part of his administration if he wins the presidency.”

**IMF SEES WORST ECONOMIC DOWNTURN SINCE GREAT DEPRESSION** — AP’s Martin Crutsinger: “The coronavirus pandemic will push the global economy into the deepest recession since the Great Depression, with the world’s poorest countries suffering the most, the head of the International Monetary Fund said Thursday.”

**BOFA TRADERS FEEL PRESSURE TO GO INTO THE OFFICE** — NYT’s Kate Kelly and Jessica Silver-Greenberg: “When a group of Bank of America employees dialed into a call with their boss, Soofian Zuberi, late last month, they were expecting to hear that they could continue doing their jobs from the safety of their homes. ...

“Mr. Zuberi provided no such comfort. Instead, the global sales executive praised individuals by name who were still braving the office, calling them out as if they were soldiers in an ongoing battle, according to three people on the call, which took place on March 27.”

## **CITIGROUP STARTS ACCEPTING PAYCHECK PROTECTION PROGRAM**

**APPLICATIONS** — Reuters’ Imani Moise: “Citigroup Inc said on Thursday, that it has started accepting applications for the \$349 billion small business bailout fund. The third largest U.S. bank by assets said it will provide digital applications to existing clients that meet certain criteria in phases and that clients can register their interest online.”



**From:** (b)(6)  
**Sent:** Mon, 13 Apr 2020 08:47:50 -0400  
**To:** Undisclosed recipients:  
**Subject:** 04-13-2020 PA Senior Staff Notes  
**Attachments:** 04-13-2020 PA Senior Staff Notes.docx

April 13, 2020

**Public Affairs Notes:**

**This week:**

- **On Tuesday, April 14, and Wednesday, April 15,** Secretary Steven T. Mnuchin will participate in the G7 Finance Ministerial and Central Bank Governors Meetings via video conference. Closed press.
- **On Thursday, April 15, and Friday, April 16,** Secretary Steven T. Mnuchin will participate in the International Monetary Fund and World Bank Meetings via video conference. Closed press.

**SECRETARY MENTIONS**

**Administration, Congressional Democrats To Discuss Small Business Funding This Week. (REU, HILL, AP, POLITICO, BLOOM, AXIOS, CBSNEWS, CQRC, WSJ, WP)**

Reuters (4/10, Cowan) reported Senate Minority Leader Schumer on Friday announced Treasury Secretary Steven Mnuchin “and congressional leaders will hold bipartisan negotiations on a new coronavirus-response bill with the goal of reaching a deal by early next week.” The Hill (4/10, Carney) reported Schumer said in a statement that Mnuchin “agreed to pursue bipartisan talks with the leadership of House and Senate Democrats and Republicans on interim Emergency Coronavirus Relief legislation.” Schumer added, “There’s no reason why we can’t come to a bipartisan agreement by early next week.”

Meanwhile, the AP (4/10, Mascaro, Taylor) reported House Speaker Pelosi “in a separate call with Mnuchin recommended the joint talks so Congress ‘can move expeditiously’ past the logjam.” Senate Majority Leader McConnell conceded, “We’ll have to do that again at some point,” McConnell added, “There’ll be additional discussions.” However, Politico (4/10, Everett) reported Pelosi on Friday “indicated she wasn’t backing away from her joint request with Schumer to augment funding for small business with aid to hospitals and local governments and also carve out some of the administration’s \$250 billion request for small business aid for underserved communities,” even as Trump “indicated he and the GOP had no intention of backing down from their insistence that the next relief bill focus narrowly on more money for small businesses.” Pelosi “recommended ‘proceeding on a bipartisan basis’ in talks on quickly passing an interim relief bill,” following her phone call with Mnuchin. Politico says Mnuchin “has been acting for weeks as an arbitrator amid the tough partisan combat over the size and scope of congressional relief efforts.” Bloomberg (4/10, Wingrove, House) reported the President “said in that measure he’ll be seeking spending for infrastructure and a payroll tax moratorium – both of which face some opposition among Democrats or Republicans in Congress.”

Axios (4/12, Treene), CBS News (4/10, Segers), and CQ Roll Call (4/10, Tully-Mcmanus, Cioffi), among other outlets, also reported.

***WSJournal, WPost A1 Reports: Most Small Businesses Have Yet To Get Any Money, Banks Still Need Guidance.*** In a front-page article headlined “Small-Business Loans Face Delays Even As Coronavirus Program Expands,” the Wall Street Journal (4/10, A1, Hayashi) reported that most of those who have applied for small business loans have yet to receive any money. The Washington Post (4/10, A1, Whalen, Merle) reported small-business owners “are supposed to use the loans immediately to keep employees on their payrolls during the coronavirus crisis,” but some want the government to change the restrictions “so that the companies can qualify for loan forgiveness if they wait to rehire workers until they are legally allowed to reopen.” Meanwhile, the Post also says the banking industry “remains frustrated by the rollout. Banks say the Treasury Department and SBA are still clarifying how the program will operate, making it more difficult to finalize the terms of the loans.” The Independent Community Bankers of America “and more than two dozen state banking associations” said in a letter Thursday to Secretary Mnuchin and Small Business Administrator Jovita Carranza: “Clear and concise instructions are still sorely needed on access to the SBA loan programs. Community bankers throughout the country have worked around the clock to make this critical program work for cash-starved small businesses.”

***Jayapal, Hawley Argue Government Should Pay Salaries Of Laid-Off Workers.*** The Washington Post (4/10, Itkowitz) reported that Rep. Pramila Jayapal (D-WA) and Sen. Josh Hawley (R-MO) are “calling for the federal government to cover workers’ salaries to ensure they remain on employers’ payrolls during the coronavirus pandemic.” The Post says that Jayapal and Hawley “independently offered this idea, which, in a different time, some could label ‘socialist’ for its dependence on the federal government.” According to the Post, “The details of the proposals – which Jayapal introduced in legislation Friday and Hawley recommended in a Washington Post op-ed Thursday – differ, but the general concept is the same.” The Post adds Jayapal’s plan “is significantly more generous, using federal dollars to cover 100 percent of workers’ salaries up to \$100,000 and their benefits, such as health care,” whereas Hawley “would have the Treasury Department foot 80 percent of the salary, with a cap of the median income wage.”

***Mnuchin, Airlines Clash Over Covid-19 Relief Funding As Trump Says Industry, Boeing Have To Be Saved. (REU, BLOOM, CNBC, WSJ, AP, AXIOS, BARRONS, NYT, NSWK)***

Reuters (4/10, Shepardson, Rucinski) reported Treasury Secretary Steven Mnuchin on Friday “spoke with the chief executives of major airlines...and told them the department was offering 70% of the” \$25 billion in direct financial support for passenger airlines under the \$2.2 trillion CARES Act package “in grants that would not need to be repaid, and 30% in low-interest loans for which the airlines would be required to offer warrants.” On the other hand, Treasury also “said in a statement Mnuchin will not require passenger air carriers that will receive \$100 million in payroll assistance or less to provide compensation.” According to the story, “the six largest U.S. airlines” could receive about “90% of the \$25 billion package.” Additionally, the CARES Act includes \$4 billion for cargo carriers and \$3 billion for contractors at airports.

Meanwhile, Bloomberg (4/10, Fabian, Schlangensteen, Mohsin, Levin) reports the President on Friday “said he’ll meet this weekend with executives in the airline industry who’ve been pressing for promised aid to come more quickly as their companies’ revenue plummets due to the coronavirus pandemic.” Trump told reporters, “We have a great plan for the airlines – got to keep the airlines going.” According to Bloomberg, “Trump also said he would speak to the leaders of plane-maker Boeing Co. ‘We can’t let anything happen to Boeing,’ he said. Trump said Boeing hasn’t asked for aid yet, but he expects it will.”



Separately, Bloomberg (4/10, Fabian) reports, “Some airlines had begun expressing concern this week that the process was dragging and had failed to meet a deadline they believed was imposed by Congress that the money should begin to flow by April 6.” According to Bloomberg, Trump has “made it clear in a meeting with Mnuchin and U.S. Transportation Secretary Elaine Chao Thursday evening that aid for payroll assistance needed to go out as soon as possible, several people familiar with the discussions said.”

CNBC (4/10, Josephs) reports Treasury “has received more than 230 applications from air carriers for payroll grants as the virus and harsh measures to stop it drive down air travel demand to the lowest level in decades.”

***Airlines Hesitate Over Coronavirus Stimulus Package’s Aid Terms.*** The Wall Street Journal (4/12, Sider, Davidson) reports the \$2 trillion stimulus passed in March includes restrictions a number of airlines find hard to accept, with the \$25 billion to pay for compensation this summer being accompanied by a greater amount of conditions than the biggest carriers had been hoping for. The Journal adds that even with government money, airlines including Delta had cautioned that they’re probably going to come out of the coronavirus-induced crisis smaller.

CNBC (4/11, LeBeau) reports that “less than 24 hours after the Treasury Department formally extended cash grant offers to the six largest airlines in the U.S.” with the requirement that a portion of the direct grants come in the form of low-interest loans, the Association of Flight Attendants put out “a dire warning” about the offers. Association of Flight Attendants President Sara Nelson said, “This will lead to airline bankruptcies,” adding that “The Treasury Department is destabilizing the industry, not helping save it.” Meanwhile, an executive at one of the airlines negotiating the terms of relief funds says for CNBC that what is being offered “is not what Congress approved,” because “The aid was supposed to be \$25 billion in cash grants and \$25 billion in loans.”

Bloomberg (4/11, Levin, Mohsin, Schlagenstein) reported Secretary Mnuchin’s “insistence that America’s major airlines partially repay taxpayer funds aimed at shoring up the industry has set up a clash between the Trump administration and the carriers.” Mnuchin “has repeatedly rejected the idea that airlines are getting a ‘bailout,’” assurances which “reflect public outcry that the U.S. a decade ago bailed out Wall Street banks, whose behavior in part led to the global financial crisis.” However, some of the industry’s biggest companies “are unhappy with the terms – specifically, that large airlines repay 30% of any grant within five years – and are seeking to negotiate with the Treasury Department,” according to “a person familiar with the discussions.” Bloomberg says the “leader of one trade group said the offer violated ‘both the letter and the spirit of the law’ written to provide help for an industry reeling from the coronavirus pandemic, which has seen air travel grind to a halt.” Association for Professional Flight Attendants President Julie Hedrick “said Mnuchin was disregarding ‘the specific intent’ of the rescue bill.”

Reuters (4/11, Shepardson, Rucinski) reports the “airlines were urging Treasury officials and the federal government’s outside advisers on Saturday to scrap or revise a proposal that would make part of the \$25 billion earmarked by Congress to help keep workers on the payroll repayable in the form of low-cost loans.” The Treasury Department “said Friday Mnuchin will not require passenger air carriers that will receive \$100 million in assistance or less to provide compensation.”

The Associated Press (4/10, Koenig), Axios (4/10, Rummler), and Barron’s (4/10, Fonda) also reported.

***Boeing In Talks For Federal Assistance, But “Problems Predate The Virus.”*** The New York (NY) Times (4/12, Kitroeff, Vogel) reports Boeing is discussing potential aid packages with the federal government as a result of the coronavirus outbreak, though the Times says many of Boeing financial woes stem from events unrelated to the pandemic, including the 737 MAX crashes, problems with its space craft, issues with a tanker for the Air Force, and the firing of its former CEO. The aviation giant “is now engaged in a delicate dance with an administration that wants to keep the American industrial base strong



but aims to avoid charges of handing out corporate welfare.” The Times reports Boeing appeared willing to reject aid packages if they involved giving partial ownership to the government, but “the company is now working closely with the administration to see if it can work out a deal.” Secretary Mnuchin and the Treasury Department “will have wide latitude over the assistance funds, and the agency is currently drafting guidelines for doling out the money – a process that Boeing is closely monitoring.” Bloomberg (4/11, McLaughlin, Johnsson) and Newsweek (4/10, Feinberg) also reported.

**Top White House Officials Have Not Coalesced Around Plan To Let Americans Resume Work Amid Pandemic. (POLITICO, NYT)**

Politico (4/12, Cook) reports that “with the White House moving to reopen the economy as early as May 1, top officials have yet to coalesce around a single plan to allow Americans and businesses to safely resume work as the coronavirus pandemic rages on.” Rather, “senior administration officials are engaged in an earnest yet scattershot effort to support President Donald Trump’s long-expressed desire to revive the downward-spiraling economy and stabilize the volatile financial markets in the middle of an election year.” Treasury Secretary Steven Mnuchin, National Economic Council Director Larry Kudlow, and Vice President Mike Pence chief of staff Marc Short, “are among the officials urging Trump to reopen the economy as soon as it is safely possible, while Mnuchin and the president’s senior adviser and son-in-law, Jared Kushner, have been reaching out to executives and companies for their input.”

***NYTimes A1: Trump “Pulled In Opposite Directions On What To Do Next.”*** The New York Times (4/10, A1, Baker, Kanno-Youngs, Rappeport) reports on its front page that as Trump “grapples simultaneously with the most devastating public health and economic crises of a lifetime,” the President “finds himself pulled in opposite directions on what to do next. The bankers, corporate executives and industrialists plead with him to reopen the country as soon as possible, while the medical experts beg for more time to curb the coronavirus.” The Times says, “Many of those discussions have been facilitated by Treasury Secretary Steven Mnuchin, who has fielded calls from executives like Stephen A. Schwarzman, the chief executive of Blackstone, looking for a road map to when a semblance of normalcy could return.” However, despite Mnuchin saying “on CNBC that it could happen as soon as May 1,” individuals “close to Mr. Mnuchin have suggested that a more gradual timeline for reopening the economy could begin in May based on the availability of coronavirus testing and regional case numbers.”

**First Personal Stimulus Checks Hit Consumers’ Bank Accounts. (WSJ, CBSNEWS, ABCNEWS, FOX, NSWK, FT, POLITICO, NBCNEWS, LAT, USAT, CNBC, HILL)**

The Wall Street Journal (4/10, Chernova) reported the Treasury Department transferred the first personal stimulus payments to banks late last Friday afternoon according to mobile banking platform Current. House Ways and Means Committee Republicans also said Friday that IRS payments were coming, with the Bureau of Fiscal Service beginning payment processing last Friday. CBS News (4/12, Larnaud), ABC News (4/11, Vann), Fox News (4/10, Singman), Newsweek (4/11, Palmer), and The Financial Times (4/11, Greeley) also reported.

***Treasury Makes It Easier For Those Who Do Not File Taxes To Receive Aid.*** Politico (4/10, Eckert) reported that the Treasury Department and the IRS “launched a web-based tool Friday designed to ensure that people who don’t normally file tax returns won’t miss out on upcoming economic stimulus payments.” According to Politico, “The web tool will allow those people to give the IRS basic information like their names, addresses and Social Security numbers, along with information about their dependents. ... They will also be able to enter banking or other financial account information to set up direct deposit of the payments, which the IRS is planning to start next week. Otherwise, they will be mailed checks, a process that could take up to five months in some cases.” The Wall Street Journal (4/10, Saunders, Rubin), NBC News (4/11), The Los Angeles (CA) Times (4/10, Wire), USA Today (4/10, Menton), CNBC (4/10, Haselton), and The Hill (4/10, Jagoda) also reported.



***Senators Ask Treasury To Safeguard Coronavirus Payments From Private Debt Collectors.*** The Hill (4/10, Jagoda) reported Sens. Josh Hawley (R-MO) and Sherrod Brown (D-OH) “are asking the Treasury Department to ensure that the coronavirus recovery checks are protected from private debt collectors.” In a letter to Treasury Secretary Steven Mnuchin, the lawmakers on Thursday wrote, “To carry out Congress’s intent and ensure that American families receive the help they need, we ask that you immediately exercise your authority to protect these payments from private debt collectors.” CNBC (4/10, Hirsch) also reported.

**Treasury IG Says Mnuchin “Properly” Declined To Give House Democrats Trump’s Tax Returns. (WP, AP, REU, CQRC, CNN, HILL, POLITICO, BLOOM)**

The Washington Post (4/10, Stein, Werner, Hamburger) reported that Treasury Department Deputy Inspector General Richard Delmar wrote in a letter to House Democrats that Treasury Secretary Steven Mnuchin “followed internal protocols when he refused to give President Trump’s tax returns to Congress.” Delmar “wrote...that Mnuchin ‘properly’ processed the demands for Trump’s returns and followed the guidance of the Department of Justice’s Office of Legal Counsel.” According to the Post, “Lawyers for the legal counsel’s office wrote in a June 2019 opinion that House Democrats’ demands for Trump’s return should be denied because they did not serve a legitimate ‘legislative purpose.’” Other news outlets providing similar coverage included the Associated Press (4/10, Gordon), Reuters (4/10, Shepardson), CQ Roll Call (4/10, Sword), CNN (4/10, Fox, Foran), The Hill (4/10, Jagoda), Politico (4/10, Eckert), and Bloomberg (4/10, Davison).

**Trump Opposes Bailout For USPS, Prefers To Raise Package Rates. (WP, CBSNEWS, ROLLSTN, BIZINDER, HILL)**

The Washington Post (4/11, Bogage) reported that with the US Postal Service expecting “it will lose \$2 billion each month through the coronavirus recession” and Postmaster General Megan Brennan having requested \$50 billion in taxpayer assistance for USPS, on top of the \$10 billion loan USPS received in the \$2.2 trillion CARES Act, the Trump Administration has “signaled any postal relief funds in a ‘Phase IV’ stimulus package currently under negotiation would amount to a poison pill.” Negotiators “originally agreed to a \$13 billion direct grant the Postal Service would not have to repay,” but that effort “was blocked by Treasury Secretary Steven Mnuchin, who warned such a move could blow up the relief bill. A committee aide said Mnuchin told lawmakers during negotiations: ‘You can have a loan, or you can have nothing at all.’” According to The Post, “Only the \$10 billion loan to the Postal Service made it into law, over Mnuchin’s objections.” The Post says Trump and Mnuchin’s rationale for blocking aid to USPS is “that higher rates for Internet shipping companies like Amazon, FedEx, and UPS would right the service’s budget.”

Outlets reporting with similar coverage include CBS News (4/10, Picchi), Rolling Stone (4/12, Wade), Business Insider (4/11, Perrett), and The Hill (4/11, Johnson).

**Treasury Official Muzinich Brings Wall Street Experience To Recession Battle. (WSJ)**

The Wall Street Journal (4/11, Davidson) runs a profile of Treasury Department official Justin Muzinich, whom it describes as a former banker and among the closest advisers to Treasury Secretary Steven Mnuchin. The Journal says Muzinich has emerged as a key figure in the Trump Administration’s efforts to prop up the US economy amid the Covid-19 pandemic.

**NYTimes Analysis: Mnuchin Pushed Back On Aggressive Steps To Combat Virus. (NYT, AP)**

The New York Times (4/11, Shear) reported, “Top White House advisers as well as experts deep in the cabinet departments and intelligence agencies all sounded alarms and urged aggressive action to counter the threat from the coronavirus, but President Trump remained slow to respond, a detailed examination of the government’s response found.” The Times says Trump “was surrounded by divided factions in March even as it became clearer that avoiding more aggressive steps to stop the spread of the virus was not

tenable.” According to The Times, in an Oval Office meeting, Treasury Secretary Steven Mnuchin “stressed that the economy would be ravaged by such measures.” However, National Security Advisor Robert C. O’Brien, “who had been worried about the virus for weeks, sounded exasperated as he told Mr. Mnuchin that the economy would be destroyed regardless if officials did nothing.” The AP (4/12, Lemire, Miller, Colvin, Alonso-Zaldivar) also reports.

## **MAJOR DEPARTMENT MENTIONS**

### **Big Banks Say Recent Antitrust Case Rulings Support Dismissal Of Treasury Suit. (LAW360)**

Behind a paywall, Law360 (4/10) reported some major Wall Street banks “accused of conspiring to manipulate the \$14 trillion market for securities issued by the U.S. Treasury Department have pointed to several recent rulings in antitrust cases they say support tossing multidistrict litigation [MDL] over the alleged scheme in New York.” The banks “filed a letter Thursday calling the New York federal court’s attention to recent rulings in four antitrust cases they said support their pending dismissal bid in the Treasury bond MDL. The suit accuses the banks of rigging auctions for bonds and other securities issued by the Treasury Department.”

## **POLITICO MORNING MONEY**

**Inside the global race to prevent another depression** — I go long here this morning with Victoria Guida and Matthew Karnitschnig on global economic efforts to fight a beast none have ever seen before: a lightning-fast economic collapse strapped to a virulent global pandemic and wild, whipsawing financial markets threatening to amplify the damage.

**The piece includes some nice nuggets** including the frenetic hours leading up to last Thursday’s giant Fed bazooka blast ahead of jobless claims: “The plan included multiple facilities with complicated names to plow money into the cratering economy.

“Staff at Treasury and the Fed worked until well after midnight Wednesday night putting the necessary documents together to make the moves legal, which under section 13(3) of the Federal Reserve Act required the signature of the Treasury secretary.

“After a brief respite, work on the papers began again at 5 a.m. Thursday, with Powell and Mnuchin resuming their phone conversations as the clock ticked toward the 8:30 a.m. release of the devastating jobless figures.

“The final documents bearing Mnuchin’s signature authorizing the giant intervention did not arrive at the Fed until 7:55 a.m., five minutes before the central bank planned to send out an embargoed press release to give reporters time to prepare stories that would hit right at 8:30 a.m.”

**Addressing America fragility** — All these tools will help but will probably not be enough. Here’s what Liaquat Ahamed, a former World Bank official and author of the Pulitzer Prize-winning “Lords of Finance,” a history of the Great Depression, told me: “The Fed and Congress have done an outstanding job so far ...

“Whether that’s enough, I suppose, depends on how long you have to do it for. But when this is all over I think we will have to ask the question of, what it is about the U.S. economy that makes it so unstable when it gets hit? ... Europeans have mechanisms in place to deal with this that are a lot better than we have. All these lines outside unemployment centers show we don’t have the institutional mechanisms to deal with these kinds of shocks.”

**Fauci expresses some hope** — Dr. Anthony Fauci on CNN’s State of the Union on Sunday: “I think it could probably start at least in some ways maybe next month. We are hoping by the end of the month we



can look around and say, ‘OK, is there any element here that we can safely and cautiously start pulling back on.’ If so, do it. If not, then just continue to hunker down.”

**Slightly less bullish** — WHO Special Envoy Dr. David Nabarro said on NBC’s “Meet the Press” that Covid-19 is “going to be a virus that stalks the human race for quite a long time to come until we can all have a vaccine”

**Trump vs Biden** — President Trump on Tuesday plans to formalize a public-private task force aimed at re-opening the economy as soon as possible. His presumed 2020 opponent, for VP Joe Biden rolled out his own cautious plan in an NYT op-ed.

## **DRIVING THE DAY**

Big day in markets where we will see if the oil production cuts (see below) can stop the collapse in crude prices ...

Also big for stocks which must now reckon with whether gains are sustainable, something that will depend both on the coming earnings season (more below) and whether Congress can agree on a second coronavirus rescue package this week.

Bank earnings, starting with JPMorganChase and Wells Fargo on Tuesday, will be especially interesting to watch. Bank of America, Citigroup, Goldman Sachs and Morgan Stanley, among others, report on Wednesday.

**JOIN ME TUESDAY** — In our second Morning Money Virtual Briefing on Tuesday at 9:00 a.m. I’ll speak with JPMorgan Chief Economist Michael Feroli about whether we can really avoid a deep and prolonged recession and whether the stock market is way out over its skis. [Sign up here](#).

**EARNINGS PREP** — Via Mohamed A. El-Erian on Bloomberg Opinion: “Responding to the enormous firepower deployed by the public sectors, and the ever-growing financial market backstops that have come with this, investors have felt comfortable taking asset prices sharply higher and, in the process, increasingly favoring more risky asset classes and companies.

“This is likely to contrast with the onset of a quarterly earnings season that is likely to be characterized by two developments: the suspension of many more specific earnings guidance by companies, and a general narrative that combines the lack of clear visibility with warnings about considerable downside risks.”

## **CORONAVIRUS EFFECTS**

**OIL NATIONS AGREE ON 10B BARREL CUT** — A total collapse in oil prices should be avoided Monday, thanks to this via AP in Dubai: “OPEC, Russia and other oil-producing nations on Sunday finalized an unprecedented production cut of nearly 10 million barrels, or a tenth of global supply, in hopes of boosting crashing prices amid the coronavirus pandemic and a price war, officials said.

“The cartel and other nations agreed to allow Mexico to cut only 100,000 barrels a month, a sticking point for an accord initially reached Friday after a marathon video conference between 23 nations.”

**FED IN UNCHARTED WATERS ON LOCAL DEBT** — Our Kellie Mejdich and Victoria Guida: “The Federal Reserve will directly buy bonds issued by states and cities for the first time, in a move that highlights the danger faced by local governments as the fallout from the coronavirus pandemic slams their budgets.”

**TRUMP WANTS TO RE-OPEN; HAS NO PLAN** — Our Nancy Cook: “With the White House moving to reopen the economy as early as May 1, top officials have yet to coalesce around a single plan to allow Americans and businesses to safely resume work as the coronavirus pandemic rages on. Instead, senior administration officials are engaged in an earnest yet scattershot effort to support ...

“Trump’s long-expressed desire to revive the downward-spiraling economy and stabilize the volatile financial markets in the middle of an election year.”

**WHAT IF DEMS TRULY PLAYED HARDBALL?** — Our Michael Grunwald: “Hardball would mean insisting on concessions that Republicans don’t want to make, like sweeping protections for the November election, or far more aggressive public health measures to contain the coronavirus. That doesn’t seem to be a game that Democrats are willing to play.”

**TRUMP'S CORONAVIRUS TASK FORCE BOOSTS INDUSTRY** — NBC’s Jonathan Allen, Phil McCausland and Cyrus Farivar: “[T]he vice president's coronavirus task force — mostly through a supply-chain unit led by Admiral John Polowczyk and heavily influenced by White House adviser Jared Kushner — has favored some of the nation's largest corporations and ignored smaller producers of goods and services with long track records of meeting emergency needs, according to officials at multiple federal agencies and people familiar with contracting.”

**FDA CHIEF SAYS NEEDS MORE TESTS** — Our Rishika Dugyala: “FDA Commissioner Stephen Hahn acknowledged the need to ramp up testing, but on Sunday his tone was cautious: Having an inaccurate test is worse than not having a test at all.

“Going forward, Hahn said on ABC’s “This Week, ‘further ramping up testing, both diagnostic as well as the antibody tests, will really be necessary as we move beyond May into the summer months and then into the fall’ The doctor added that the United States has done over 2 million tests, but stated: ‘We need to do more. No question about that.’”

**AIRLINE BANKRUPTCIES COMING?** — CNBC’s Phil LeBeau: “Less than 24 hours after the Treasury Department formally extended cash grant offers to the six largest airlines in the U.S., the union representing 120,000 flight attendants is blasting the move with a dire warning.

“‘This will lead to airline bankruptcies,’ said Sara Nelson, president of the Association of Flight Attendants union. ‘The Treasury Department is destabilizing the industry, not helping save it.’

“Nelson’s anger is fueled by the Treasury Department deciding to make 30% of each cash grant offer a low interest loan payable to the federal government. That move, which caught many airline executives by surprise, means the \$25 billion approved by Congress for immediate cash grants will actually be \$17.5 billion.”

**SMALL BUSINESS LOANS LESS GENEROUS?** — Our Theodoric Meyer: “An emergency loan program meant to aid small businesses hurt by the coronavirus pandemic could be a lot less generous than previously advertised. The ... program is supposed to provide small businesses running out of cash due to the pandemic ‘with working capital loans of up to \$2 million,’ according to the Small Business Administration’s website.

“But small businesses might not be able to get anything close to \$2 million. Those that apply ‘will likely be given maximum loans of \$25,000-\$35,000 (as opposed to the advertised \$2 million cap for EIDLs),’ Tom Sullivan, the U.S. Chamber of Commerce’s vice president for small business policy, wrote in an internal email on Thursday evening, which was obtained by POLITICO.”

## **MARKETS**

**NEXT TEST FOR STOCK? EARNINGS SEASON** — WSJ’s Karen Langley: “The kickoff of earnings season this week will give investors a first glimpse of the impact of the coronavirus shutdown on corporate profits —and potentially clues about the outlook for the rest of the year. Those results will offer a test for a stock market that is attempting to rebound after a bruising selloff. The pandemic is expected to cause a severe economic contraction and a sharp decline in corporate earnings in 2020. What remains unknown is the extent of the damage.”

## **FLY AROUND**

**HOW CORONAVIRUS TRANSFORMED AMERICAN SPENDING** — NYT’s Lauren Leatherby and David Gelles: “The coronavirus has profoundly altered daily life in America, ushering in sweeping



upheavals to the U.S. economy. Among the most immediate effects of the crisis? Radical changes to how people spend their money.

“In a matter of weeks, pillars of American industry essentially ground to a halt. Airplanes, restaurants and arenas were suddenly empty. In many states, businesses deemed nonessential — including luxury goods retailers and golf courses — were ordered closed. ‘This is the sharpest decline in consumer spending that we have ever seen,’ said Luke Tilley, chief economist at Wilmington Trust.”

**KASHKARI: U.S. COULD FACE 18 MONTHS OF ROLLING SHUTDOWNS** — Bloomberg’s Matthew Boelster: “Without an effective therapy or a vaccine for the novel coronavirus, the U.S. economy could face 18 months of rolling shutdowns as the outbreak recedes and flares up again, Federal Reserve Bank of Minneapolis President Neel Kashkari said. ‘We’re looking around the world. As they relax the economic controls, the virus flares back up again,’ Kashkari said Sunday on CBS’s ‘Face the Nation.’

“Kashkari is a voter in 2020 on the Fed’s policy-setting Federal Open Market Committee. ‘We could have these waves of flareups, controls, flareups and controls until we actually get a therapy or a vaccine. I think we should all be focusing on an 18-month strategy for our health care system and our economy.’”

**COVID-19 SCARS COULD WEAKEN ECONOMY FOR YEARS TO COME** — WSJ’s James Mackintosh: “The coronavirus pandemic will eventually be behind us, maybe soon, maybe not. Either way, the scars will long persist for an entire generation of investors and future managers now living through what is rapidly becoming the deepest downturn since World War II.

“Investors in their formative years have just discovered that stocks come with big risks attached. Unless there is a rapid recovery —the V-shaped economic bounce many are hoping for —these investors could take 2020 as their reference point for bad news and have a lower appetite for risk throughout their lives.”

**WORKING FROM HOME FEEDS MARKET WOES IN LITTLE WAYS THAT ADD UP** —

NYT’s Matt Phillips, Emily Flitter and Kate Kelly: “Ever since the coronavirus pandemic forced thousands of traders, sales representatives, analysts, bankers and risk managers out of their workplaces and into their homes, the foot soldiers of finance have been making do with technology that’s far more ordinary than many of them are used to.

“The individual inconveniences are relatively minor — one trader missed a special Bloomberg keyboard, another struggled with having the chat window to his left instead of right — but together, they have had a noticeable impact on the functioning of markets, according to traders, investors and regulators.”

**BANKS STOCKS ARE IN A DITCH** — WSJ’s Orla McCaffrey: “When U.S. banks report first-quarter earnings this week, investors will get the best impression yet of how the coronavirus pandemic is weighing on the U.S. financial sector. The first three months of 2020 presented banks with their most formidable challenges in recent memory —near-zero interest rates and a free-falling U.S. economy that threatens to upend almost all their business lines.”

## **FOR YOUR RADAR**

**TRANSITIONS** — Kevin Zerrusen is now a managing director at EY where he works on cybersecurity and advisory services. He most recently was senior adviser to the chairman for cybersecurity policy at the SEC and is also a Goldman Sachs alum and served in the CIA for 30 years.

Miles Radcliffe-Trenner is now VP for public affairs at KKR. He previously spent five years at Sard Verbinen, where he most recently was a VP based in Hong Kong.

April 13, 2020

## Public Affairs Notes:

### This week:

- **On Tuesday, April 14, and Wednesday, April 15**, Secretary Steven T. Mnuchin will participate in the G7 Finance Ministerial and Central Bank Governors Meetings via video conference. Closed press.
- **On Thursday, April 15, and Friday, April 16**, Secretary Steven T. Mnuchin will participate in the International Monetary Fund and World Bank Meetings via video conference. Closed press.

### SECRETARY MENTIONS

#### **Administration, Congressional Democrats To Discuss Small Business Funding This Week. (REU, HILL, AP, POLITICO, BLOOM, AXIOS, CBSNEWS, CQRC, WSJ, WP)**

Reuters (4/10, Cowan) reported Senate Minority Leader Schumer on Friday announced Treasury Secretary Steven Mnuchin “and congressional leaders will hold bipartisan negotiations on a new coronavirus-response bill with the goal of reaching a deal by early next week.” The Hill (4/10, Carney) reported Schumer said in a statement that Mnuchin “agreed to pursue bipartisan talks with the leadership of House and Senate Democrats and Republicans on interim Emergency Coronavirus Relief legislation.” Schumer added, “There’s no reason why we can’t come to a bipartisan agreement by early next week.”

Meanwhile, the AP (4/10, Mascaro, Taylor) reported House Speaker Pelosi “in a separate call with Mnuchin recommended the joint talks so Congress ‘can move expeditiously’ past the logjam.” Senate Majority Leader McConnell conceded, “We’ll have to do that again at some point,” McConnell added, “There’ll be additional discussions.” However, Politico (4/10, Everett) reported Pelosi on Friday “indicated she wasn’t backing away from her joint request with Schumer to augment funding for small business with aid to hospitals and local governments and also carve out some of the administration’s \$250 billion request for small business aid for underserved communities,” even as Trump “indicated he and the GOP had no intention of backing down from their insistence that the next relief bill focus narrowly on more money for small businesses.” Pelosi “recommended ‘proceeding on a bipartisan basis’ in talks on quickly passing an interim relief bill,” following her phone call with Mnuchin. Politico says Mnuchin “has been acting for weeks as an arbitrator amid the tough partisan combat over the size and scope of congressional relief efforts.” Bloomberg (4/10, Wingrove, House) reported the President “said in that measure he’ll be seeking spending for infrastructure and a payroll tax moratorium – both of which face some opposition among Democrats or Republicans in Congress.”

Axios (4/12, Treene), CBS News (4/10, Segers), and CQ Roll Call (4/10, Tully-Mcmanus, Cioffi), among other outlets, also reported.

***WSJournal, WPost A1 Reports: Most Small Businesses Have Yet To Get Any Money, Banks Still Need Guidance.*** In a front-page article headlined “Small-Business Loans Face Delays Even As Coronavirus Program Expands,” the Wall Street Journal (4/10, A1, Hayashi) reported that most of those who have applied for small business loans have yet to receive any money. The Washington Post (4/10, A1, Whalen, Merle) reported small-business owners “are supposed to use the loans immediately to keep employees on their payrolls during the coronavirus crisis,” but some want the government to change the restrictions “so that the companies can qualify for loan forgiveness if they wait to rehire workers until they are legally allowed to reopen.” Meanwhile, the Post also says the banking industry “remains frustrated by the rollout. Banks say the Treasury Department and SBA are still clarifying how the



program will operate, making it more difficult to finalize the terms of the loans.” The Independent Community Bankers of America “and more than two dozen state banking associations” said in a letter Thursday to Secretary Mnuchin and Small Business Administrator Jovita Carranza: “Clear and concise instructions are still sorely needed on access to the SBA loan programs. Community bankers throughout the country have worked around the clock to make this critical program work for cash-starved small businesses.”

***Jayapal, Hawley Argue Government Should Pay Salaries Of Laid-Off Workers.*** The Washington Post (4/10, Itkowitz) reported that Rep. Pramila Jayapal (D-WA) and Sen. Josh Hawley (R-MO) are “calling for the federal government to cover workers’ salaries to ensure they remain on employers’ payrolls during the coronavirus pandemic.” The Post says that Jayapal and Hawley “independently offered this idea, which, in a different time, some could label ‘socialist’ for its dependence on the federal government.” According to the Post, “The details of the proposals – which Jayapal introduced in legislation Friday and Hawley recommended in a Washington Post op-ed Thursday – differ, but the general concept is the same.” The Post adds Jayapal’s plan “is significantly more generous, using federal dollars to cover 100 percent of workers’ salaries up to \$100,000 and their benefits, such as health care,” whereas Hawley “would have the Treasury Department foot 80 percent of the salary, with a cap of the median income wage.”

**Mnuchin, Airlines Clash Over Covid-19 Relief Funding As Trump Says Industry, Boeing Have To Be Saved. (REU, BLOOM, CNBC, WSJ, AP, AXIOS, BARRONS, NYT, NSWK)**

Reuters (4/10, Shepardson, Rucinski) reported Treasury Secretary Steven Mnuchin on Friday “spoke with the chief executives of major airlines...and told them the department was offering 70% of the” \$25 billion in direct financial support for passenger airlines under the \$2.2 trillion CARES Act package “in grants that would not need to be repaid, and 30% in low-interest loans for which the airlines would be required to offer warrants.” On the other hand, Treasury also “said in a statement Mnuchin will not require passenger air carriers that will receive \$100 million in payroll assistance or less to provide compensation.” According to the story, “the six largest U.S. airlines” could receive about “90% of the \$25 billion package.” Additionally, the CARES Act includes \$4 billion for cargo carriers and \$3 billion for contractors at airports.

Meanwhile, Bloomberg (4/10, Fabian, Schlangensteen, Mohsin, Levin) reports the President on Friday “said he’ll meet this weekend with executives in the airline industry who’ve been pressing for promised aid to come more quickly as their companies’ revenue plummets due to the coronavirus pandemic.” Trump told reporters, “We have a great plan for the airlines – got to keep the airlines going.” According to Bloomberg, “Trump also said he would speak to the leaders of plane-maker Boeing Co. ‘We can’t let anything happen to Boeing,’ he said. Trump said Boeing hasn’t asked for aid yet, but he expects it will.”

Separately, Bloomberg (4/10, Fabian) reports, “Some airlines had begun expressing concern this week that the process was dragging and had failed to meet a deadline they believed was imposed by Congress that the money should begin to flow by April 6.” According to Bloomberg, Trump has “made it clear in a meeting with Mnuchin and U.S. Transportation Secretary Elaine Chao Thursday evening that aid for payroll assistance needed to go out as soon as possible, several people familiar with the discussions said.”

CNBC (4/10, Josephs) reports Treasury “has received more than 230 applications from air carriers for payroll grants as the virus and harsh measures to stop it drive down air travel demand to the lowest level in decades.”

***Airlines Hesitate Over Coronavirus Stimulus Package’s Aid Terms.*** The Wall Street Journal (4/12, Sider, Davidson) reports the \$2 trillion stimulus passed in March includes restrictions a number of airlines

find hard to accept, with the \$25 billion to pay for compensation this summer being accompanied by a greater amount of conditions than the biggest carriers had been hoping for. The Journal adds that even with government money, airlines including Delta had cautioned that they're probably going to come out of the coronavirus-induced crisis smaller.

CNBC (4/11, LeBeau) reports that "less than 24 hours after the Treasury Department formally extended cash grant offers to the six largest airlines in the U.S." with the requirement that a portion of the direct grants come in the form of low-interest loans, the Association of Flight Attendants put out "a dire warning" about the offers. Association of Flight Attendants President Sara Nelson said, "This will lead to airline bankruptcies," adding that "The Treasury Department is destabilizing the industry, not helping save it." Meanwhile, an executive at one of the airlines negotiating the terms of relief funds says for CNBC that what is being offered "is not what Congress approved," because "The aid was supposed to be \$25 billion in cash grants and \$25 billion in loans."

Bloomberg (4/11, Levin, Mohsin, Schlagenstein) reported Secretary Mnuchin's "insistence that America's major airlines partially repay taxpayer funds aimed at shoring up the industry has set up a clash between the Trump administration and the carriers." Mnuchin "has repeatedly rejected the idea that airlines are getting a 'bailout,'" assurances which "reflect public outcry that the U.S. a decade ago bailed out Wall Street banks, whose behavior in part led to the global financial crisis." However, some of the industry's biggest companies "are unhappy with the terms – specifically, that large airlines repay 30% of any grant within five years – and are seeking to negotiate with the Treasury Department," according to "a person familiar with the discussions." Bloomberg says the "leader of one trade group said the offer violated 'both the letter and the spirit of the law' written to provide help for an industry reeling from the coronavirus pandemic, which has seen air travel grind to a halt." Association for Professional Flight Attendants President Julie Hedrick "said Mnuchin was disregarding 'the specific intent' of the rescue bill."

Reuters (4/11, Shepardson, Rucinski) reports the "airlines were urging Treasury officials and the federal government's outside advisers on Saturday to scrap or revise a proposal that would make part of the \$25 billion earmarked by Congress to help keep workers on the payroll repayable in the form of low-cost loans." The Treasury Department "said Friday Mnuchin will not require passenger air carriers that will receive \$100 million in assistance or less to provide compensation."

The Associated Press (4/10, Koenig), Axios (4/10, Rummler), and Barron's (4/10, Fonda) also reported.

***Boeing In Talks For Federal Assistance, But "Problems Predate The Virus."*** The New York (NY) Times (4/12, Kitroeff, Vogel) reports Boeing is discussing potential aid packages with the federal government as a result of the coronavirus outbreak, though the Times says many of Boeing financial woes stem from events unrelated to the pandemic, including the 737 MAX crashes, problems with its space craft, issues with a tanker for the Air Force, and the firing of its former CEO. The aviation giant "is now engaged in a delicate dance with an administration that wants to keep the American industrial base strong but aims to avoid charges of handing out corporate welfare." The Times reports Boeing appeared willing to reject aid packages if they involved giving partial ownership to the government, but "the company is now working closely with the administration to see if it can work out a deal." Secretary Mnuchin and the Treasury Department "will have wide latitude over the assistance funds, and the agency is currently drafting guidelines for doling out the money – a process that Boeing is closely monitoring." Bloomberg (4/11, McLaughlin, Johnsson) and Newsweek (4/10, Feinberg) also reported.

**Top White House Officials Have Not Coalesced Around Plan To Let Americans Resume Work Amid Pandemic. (POLITICO, NYT)**



Politico (4/12, Cook) reports that “with the White House moving to reopen the economy as early as May 1, top officials have yet to coalesce around a single plan to allow Americans and businesses to safely resume work as the coronavirus pandemic rages on.” Rather, “senior administration officials are engaged in an earnest yet scattershot effort to support President Donald Trump’s long-expressed desire to revive the downward-spiraling economy and stabilize the volatile financial markets in the middle of an election year.” Treasury Secretary Steven Mnuchin, National Economic Council Director Larry Kudlow, and Vice President Mike Pence chief of staff Marc Short, “are among the officials urging Trump to reopen the economy as soon as it is safely possible, while Mnuchin and the president’s senior adviser and son-in-law, Jared Kushner, have been reaching out to executives and companies for their input.”

***NYTimes A1: Trump “Pulled In Opposite Directions On What To Do Next.”*** The New York Times (4/10, A1, Baker, Kanno-Youngs, Rappeport) reports on its front page that as Trump “grapples simultaneously with the most devastating public health and economic crises of a lifetime,” the President “finds himself pulled in opposite directions on what to do next. The bankers, corporate executives and industrialists plead with him to reopen the country as soon as possible, while the medical experts beg for more time to curb the coronavirus.” The Times says, “Many of those discussions have been facilitated by Treasury Secretary Steven Mnuchin, who has fielded calls from executives like Stephen A. Schwarzman, the chief executive of Blackstone, looking for a road map to when a semblance of normalcy could return.” However, despite Mnuchin saying “on CNBC that it could happen as soon as May 1,” individuals “close to Mr. Mnuchin have suggested that a more gradual timeline for reopening the economy could begin in May based on the availability of coronavirus testing and regional case numbers.”

**First Personal Stimulus Checks Hit Consumers’ Bank Accounts. (WSJ, CBSNEWS, ABCNEWS, FOX, NSWK, FT, POLITICO, NBCNEWS, LAT, USAT, CNBC, HILL)**

The Wall Street Journal (4/10, Chernova) reported the Treasury Department transferred the first personal stimulus payments to banks late last Friday afternoon according to mobile banking platform Current. House Ways and Means Committee Republicans also said Friday that IRS payments were coming, with the Bureau of Fiscal Service beginning payment processing last Friday. CBS News (4/12, Larnaud), ABC News (4/11, Vann), Fox News (4/10, Singman), Newsweek (4/11, Palmer), and The Financial Times (4/11, Greeley) also reported.

***Treasury Makes It Easier For Those Who Do Not File Taxes To Receive Aid.*** Politico (4/10, Eckert) reported that the Treasury Department and the IRS “launched a web-based tool Friday designed to ensure that people who don’t normally file tax returns won’t miss out on upcoming economic stimulus payments.” According to Politico, “The web tool will allow those people to give the IRS basic information like their names, addresses and Social Security numbers, along with information about their dependents. ... They will also be able to enter banking or other financial account information to set up direct deposit of the payments, which the IRS is planning to start next week. Otherwise, they will be mailed checks, a process that could take up to five months in some cases.” The Wall Street Journal (4/10, Saunders, Rubin), NBC News (4/11), The Los Angeles (CA) Times (4/10, Wire), USA Today (4/10, Menton), CNBC (4/10, Haselton), and The Hill (4/10, Jagoda) also reported.

***Senators Ask Treasury To Safeguard Coronavirus Payments From Private Debt Collectors.*** The Hill (4/10, Jagoda) reported Sens. Josh Hawley (R-MO) and Sherrod Brown (D-OH) “are asking the Treasury Department to ensure that the coronavirus recovery checks are protected from private debt collectors.” In a letter to Treasury Secretary Steven Mnuchin, the lawmakers on Thursday wrote, “To carry out Congress’s intent and ensure that American families receive the help they need, we ask that you immediately exercise your authority to protect these payments from private debt collectors.” CNBC (4/10, Hirsch) also reported.



**Treasury IG Says Mnuchin “Properly” Declined To Give House Democrats Trump’s Tax Returns. (WP, AP, REU, CQRC, CNN, HILL, POLITICO, BLOOM)**

The Washington Post (4/10, Stein, Werner, Hamburger) reported that Treasury Department Deputy Inspector General Richard Delmar wrote in a letter to House Democrats that Treasury Secretary Steven Mnuchin “followed internal protocols when he refused to give President Trump’s tax returns to Congress.” Delmar “wrote...that Mnuchin ‘properly’ processed the demands for Trump’s returns and followed the guidance of the Department of Justice’s Office of Legal Counsel.” According to the Post, “Lawyers for the legal counsel’s office wrote in a June 2019 opinion that House Democrats’ demands for Trump’s return should be denied because they did not serve a legitimate ‘legislative purpose.’” Other news outlets providing similar coverage included the Associated Press (4/10, Gordon), Reuters (4/10, Shepardson), CQ Roll Call (4/10, Sword), CNN (4/10, Fox, Foran), The Hill (4/10, Jagoda), Politico (4/10, Eckert), and Bloomberg (4/10, Davison).

**Trump Opposes Bailout For USPS, Prefers To Raise Package Rates. (WP, CBSNEWS, ROLLSTN, BIZINDER, HILL)**

The Washington Post (4/11, Bogage) reported that with the US Postal Service expecting “it will lose \$2 billion each month through the coronavirus recession” and Postmaster General Megan Brennan having requested \$50 billion in taxpayer assistance for USPS, on top of the \$10 billion loan USPS received in the \$2.2 trillion CARES Act, the Trump Administration has “signaled any postal relief funds in a ‘Phase IV’ stimulus package currently under negotiation would amount to a poison pill.” Negotiators “originally agreed to a \$13 billion direct grant the Postal Service would not have to repay,” but that effort “was blocked by Treasury Secretary Steven Mnuchin, who warned such a move could blow up the relief bill. A committee aide said Mnuchin told lawmakers during negotiations: ‘You can have a loan, or you can have nothing at all.’” According to The Post, “Only the \$10 billion loan to the Postal Service made it into law, over Mnuchin’s objections.” The Post says Trump and Mnuchin’s rationale for blocking aid to USPS is “that higher rates for Internet shipping companies like Amazon, FedEx, and UPS would right the service’s budget.”

Outlets reporting with similar coverage include CBS News (4/10, Picchi), Rolling Stone (4/12, Wade), Business Insider (4/11, Perrett), and The Hill (4/11, Johnson).

**Treasury Official Muzinich Brings Wall Street Experience To Recession Battle. (WSJ)**

The Wall Street Journal (4/11, Davidson) runs a profile of Treasury Department official Justin Muzinich, whom it describes as a former banker and among the closest advisers to Treasury Secretary Steven Mnuchin. The Journal says Muzinich has emerged as a key figure in the Trump Administration’s efforts to prop up the US economy amid the Covid-19 pandemic.

**NYTimes Analysis: Mnuchin Pushed Back On Aggressive Steps To Combat Virus. (NYT, AP)**

The New York Times (4/11, Shear) reported, “Top White House advisers as well as experts deep in the cabinet departments and intelligence agencies all sounded alarms and urged aggressive action to counter the threat from the coronavirus, but President Trump remained slow to respond, a detailed examination of the government’s response found.” The Times says Trump “was surrounded by divided factions in March even as it became clearer that avoiding more aggressive steps to stop the spread of the virus was not tenable.” According to The Times, in an Oval Office meeting, Treasury Secretary Steven Mnuchin “stressed that the economy would be ravaged by such measures.” However, National Security Advisor Robert C. O’Brien, “who had been worried about the virus for weeks, sounded exasperated as he told Mr. Mnuchin that the economy would be destroyed regardless if officials did nothing.” The AP (4/12, Lemire, Miller, Colvin, Alonso-Zaldivar) also reports.



## **MAJOR DEPARTMENT MENTIONS**

### **Big Banks Say Recent Antitrust Case Rulings Support Dismissal Of Treasury Suit. (LAW360)**

Behind a paywall, [Law360](#) (4/10) reported some major Wall Street banks “accused of conspiring to manipulate the \$14 trillion market for securities issued by the U.S. Treasury Department have pointed to several recent rulings in antitrust cases they say support tossing multidistrict litigation [MDL] over the alleged scheme in New York.” The banks “filed a letter Thursday calling the New York federal court’s attention to recent rulings in four antitrust cases they said support their pending dismissal bid in the Treasury bond MDL. The suit accuses the banks of rigging auctions for bonds and other securities issued by the Treasury Department.”

## **POLITICO MORNING MONEY**

**Inside the global race to prevent another depression** — I go long [here this morning with Victoria Guida and Matthew Karnitschnig](#) on global economic efforts to fight a beast none have ever seen before: a lightning-fast economic collapse strapped to a virulent global pandemic and wild, whipsawing financial markets threatening to amplify the damage.

**The piece includes some nice nuggets** including the frenetic hours leading up to last Thursday’s giant Fed bazooka blast ahead of jobless claims: “The plan included multiple facilities with complicated names to plow money into the cratering economy.

“Staff at Treasury and the Fed worked until well after midnight Wednesday night putting the necessary documents together to make the moves legal, which under section 13(3) of the Federal Reserve Act required the signature of the Treasury secretary.

“After a brief respite, work on the papers began again at 5 a.m. Thursday, with Powell and Mnuchin resuming their phone conversations as the clock ticked toward the 8:30 a.m. release of the devastating jobless figures.

“The final documents bearing Mnuchin’s signature authorizing the giant intervention did not arrive at the Fed until 7:55 a.m., five minutes before the central bank planned to send out an embargoed press release to give reporters time to prepare stories that would hit right at 8:30 a.m.”

**Addressing America fragility** — All these tools will help but will probably not be enough. Here’s what Liaquat Ahamed, a former World Bank official and author of the Pulitzer Prize-winning “Lords of Finance,” a history of the Great Depression, told me: “The Fed and Congress have done an outstanding job so far ...

“Whether that’s enough, I suppose, depends on how long you have to do it for. But when this is all over I think we will have to ask the question of, what it is about the U.S. economy that makes it so unstable when it gets hit? ... Europeans have mechanisms in place to deal with this that are a lot better than we have. All these lines outside unemployment centers show we don’t have the institutional mechanisms to deal with these kinds of shocks.”

**Fauci expresses some hope** — Dr. Anthony Fauci on [CNN’s State of the Union](#) on Sunday: “I think it could probably start at least in some ways maybe next month. We are hoping by the end of the month we can look around and say, ‘OK, is there any element here that we can safely and cautiously start pulling back on.’ If so, do it. If not, then just continue to hunker down.”

**Slightly less bullish** — WHO Special Envoy Dr. David Nabarro said on NBC’s [“Meet the Press”](#) that Covid-19 is “going to be a virus that stalks the human race for quite a long time to come until we can all have a vaccine”

**Trump vs Biden** — President Trump on Tuesday plans to formalize a public-private task force aimed at re-opening the economy as soon as possible. His presumed 2020 opponent, for VP Joe Biden rolled out his own cautious plan in an NYT op-ed.

## **DRIVING THE DAY**

Big day in markets where we will see if the oil production cuts (see below) can stop the collapse in crude prices ...

Also big for stocks which must now reckon with whether gains are sustainable, something that will depend both on the coming earnings season (more below) and whether Congress can agree on a second coronavirus rescue package this week.

Bank earnings, starting with JPMorganChase and Wells Fargo on Tuesday, will be especially interesting to watch. Bank of America, Citigroup, Goldman Sachs and Morgan Stanley, among others, report on Wednesday.

**JOIN ME TUESDAY** — In our second Morning Money Virtual Briefing on Tuesday at 9:00 a.m. I'll speak with JPMorgan Chief Economist Michael Feroli about whether we can really avoid a deep and prolonged recession and whether the stock market is way out over its skis. Sign up here.

**EARNINGS PREP** — Via Mohamed A. El-Erian on Bloomberg Opinion: "Responding to the enormous firepower deployed by the public sectors, and the ever-growing financial market backstops that have come with this, investors have felt comfortable taking asset prices sharply higher and, in the process, increasingly favoring more risky asset classes and companies.

"This is likely to contrast with the onset of a quarterly earnings season that is likely to be characterized by two developments: the suspension of many more specific earnings guidance by companies, and a general narrative that combines the lack of clear visibility with warnings about considerable downside risks."

## **CORONAVIRUS EFFECTS**

**OIL NATIONS AGREE ON 10B BARREL CUT** — A total collapse in oil prices should be avoided Monday, thanks to this via AP in Dubai: "OPEC, Russia and other oil-producing nations on Sunday finalized an unprecedented production cut of nearly 10 million barrels, or a tenth of global supply, in hopes of boosting crashing prices amid the coronavirus pandemic and a price war, officials said.

"The cartel and other nations agreed to allow Mexico to cut only 100,000 barrels a month, a sticking point for an accord initially reached Friday after a marathon video conference between 23 nations."

**FED IN UNCHARTED WATERS ON LOCAL DEBT** — Our Kellie Mejdich and Victoria Guida: "The Federal Reserve will directly buy bonds issued by states and cities for the first time, in a move that highlights the danger faced by local governments as the fallout from the coronavirus pandemic slams their budgets."

**TRUMP WANTS TO RE-OPEN; HAS NO PLAN** — Our Nancy Cook: "With the White House moving to reopen the economy as early as May 1, top officials have yet to coalesce around a single plan to allow Americans and businesses to safely resume work as the coronavirus pandemic rages on. Instead, senior administration officials are engaged in an earnest yet scattershot effort to support ...

"Trump's long-expressed desire to revive the downward-spiraling economy and stabilize the volatile financial markets in the middle of an election year."

**WHAT IF DEMS TRULY PLAYED HARDBALL?** — Our Michael Grunwald: "Hardball would mean insisting on concessions that Republicans don't want to make, like sweeping protections for the November election, or far more aggressive public health measures to contain the coronavirus. That doesn't seem to be a game that Democrats are willing to play."



**TRUMP'S CORONAVIRUS TASK FORCE BOOSTS INDUSTRY** — NBC's Jonathan Allen, Phil McCausland and Cyrus Farivar: "[T]he vice president's coronavirus task force — mostly through a supply-chain unit led by Admiral John Polowczyk and heavily influenced by White House adviser Jared Kushner — has favored some of the nation's largest corporations and ignored smaller producers of goods and services with long track records of meeting emergency needs, according to officials at multiple federal agencies and people familiar with contracting."

**FDA CHIEF SAYS NEEDS MORE TESTS** — Our Rishika Dugyala: "FDA Commissioner Stephen Hahn acknowledged the need to ramp up testing, but on Sunday his tone was cautious: Having an inaccurate test is worse than not having a test at all."

"Going forward, Hahn said on ABC's "This Week, 'further ramping up testing, both diagnostic as well as the antibody tests, will really be necessary as we move beyond May into the summer months and then into the fall' The doctor added that the United States has done over 2 million tests, but stated: 'We need to do more. No question about that.'"

**AIRLINE BANKRUPTCIES COMING?** — CNBC's Phil LeBeau: "Less than 24 hours after the Treasury Department formally extended cash grant offers to the six largest airlines in the U.S., the union representing 120,000 flight attendants is blasting the move with a dire warning."

"'This will lead to airline bankruptcies,' said Sara Nelson, president of the Association of Flight Attendants union. 'The Treasury Department is destabilizing the industry, not helping save it.'"

"Nelson's anger is fueled by the Treasury Department deciding to make 30% of each cash grant offer a low interest loan payable to the federal government. That move, which caught many airline executives by surprise, means the \$25 billion approved by Congress for immediate cash grants will actually be \$17.5 billion."

**SMALL BUSINESS LOANS LESS GENEROUS?** — Our Theodoric Meyer: "An emergency loan program meant to aid small businesses hurt by the coronavirus pandemic could be a lot less generous than previously advertised. The ... program is supposed to provide small businesses running out of cash due to the pandemic 'with working capital loans of up to \$2 million,' according to the Small Business Administration's website."

"But small businesses might not be able to get anything close to \$2 million. Those that apply 'will likely be given maximum loans of \$25,000-\$35,000 (as opposed to the advertised \$2 million cap for EIDLs),' Tom Sullivan, the U.S. Chamber of Commerce's vice president for small business policy, wrote in an internal email on Thursday evening, which was obtained by POLITICO."

## **MARKETS**

**NEXT TEST FOR STOCK? EARNINGS SEASON** — WSJ's Karen Langley: "The kickoff of earnings season this week will give investors a first glimpse of the impact of the coronavirus shutdown on corporate profits —and potentially clues about the outlook for the rest of the year. Those results will offer a test for a stock market that is attempting to rebound after a bruising selloff. The pandemic is expected to cause a severe economic contraction and a sharp decline in corporate earnings in 2020. What remains unknown is the extent of the damage."

## **FLY AROUND**

**HOW CORONAVIRUS TRANSFORMED AMERICAN SPENDING** — NYT's Lauren Leatherby and David Gelles: "The coronavirus has profoundly altered daily life in America, ushering in sweeping upheavals to the U.S. economy. Among the most immediate effects of the crisis? Radical changes to how people spend their money."

"In a matter of weeks, pillars of American industry essentially ground to a halt. Airplanes, restaurants and arenas were suddenly empty. In many states, businesses deemed nonessential — including luxury goods

retailers and golf courses — were ordered closed. ‘This is the sharpest decline in consumer spending that we have ever seen,’ said Luke Tilley, chief economist at Wilmington Trust.”

**KASHKARI: U.S. COULD FACE 18 MONTHS OF ROLLING SHUTDOWNS** — Bloomberg’s Matthew Boelter: “Without an effective therapy or a vaccine for the novel coronavirus, the U.S. economy could face 18 months of rolling shutdowns as the outbreak recedes and flares up again, Federal Reserve Bank of Minneapolis President Neel Kashkari said. ‘We’re looking around the world. As they relax the economic controls, the virus flares back up again,’ Kashkari said Sunday on CBS’s ‘Face the Nation.’

“Kashkari is a voter in 2020 on the Fed’s policy-setting Federal Open Market Committee. ‘We could have these waves of flareups, controls, flareups and controls until we actually get a therapy or a vaccine. I think we should all be focusing on an 18-month strategy for our health care system and our economy.’”

**COVID-19 SCARS COULD WEAKEN ECONOMY FOR YEARS TO COME** — WSJ’s James Mackintosh: “The coronavirus pandemic will eventually be behind us, maybe soon, maybe not. Either way, the scars will long persist for an entire generation of investors and future managers now living through what is rapidly becoming the deepest downturn since World War II.

“Investors in their formative years have just discovered that stocks come with big risks attached. Unless there is a rapid recovery —the V-shaped economic bounce many are hoping for —these investors could take 2020 as their reference point for bad news and have a lower appetite for risk throughout their lives.”

**WORKING FROM HOME FEEDS MARKET WOES IN LITTLE WAYS THAT ADD UP** — NYT’s Matt Phillips, Emily Flitter and Kate Kelly: “Ever since the coronavirus pandemic forced thousands of traders, sales representatives, analysts, bankers and risk managers out of their workplaces and into their homes, the foot soldiers of finance have been making do with technology that’s far more ordinary than many of them are used to.

“The individual inconveniences are relatively minor — one trader missed a special Bloomberg keyboard, another struggled with having the chat window to his left instead of right — but together, they have had a noticeable impact on the functioning of markets, according to traders, investors and regulators.”

**BANKS STOCKS ARE IN A DITCH** — WSJ’s Orla McCaffrey: “When U.S. banks report first-quarter earnings this week, investors will get the best impression yet of how the coronavirus pandemic is weighing on the U.S. financial sector. The first three months of 2020 presented banks with their most formidable challenges in recent memory —near-zero interest rates and a free-falling U.S. economy that threatens to upend almost all their business lines.”

## **FOR YOUR RADAR**

**TRANSITIONS** — Kevin Zerrusen is now a managing director at EY where he works on cybersecurity and advisory services. He most recently was senior adviser to the chairman for cybersecurity policy at the SEC and is also a Goldman Sachs alum and served in the CIA for 30 years.

Miles Radcliffe-Trenner is now VP for public affairs at KKR. He previously spent five years at Sard Verbinen, where he most recently was a VP based in Hong Kong.



**From:** (b)(6)  
**Sent:** Tue, 14 Apr 2020 08:44:40 -0400  
**To:** Hoover, Allie  
**Subject:** 04-14-2020 PA Senior Staff Notes  
**Attachments:** 04-14-2020 PA Senior Staff Notes.docx

April 14, 2020

**Public Affairs Notes:**

**This week:**

- **Today, Tuesday, April 14, and Wednesday, April 15,** Secretary Steven T. Mnuchin will participate in the G7 Finance Ministerial and Central Bank Governors Meetings via video conference. Closed press.
- **On Thursday, April 15, and Friday, April 16,** Secretary Steven T. Mnuchin will participate in the International Monetary Fund and World Bank Meetings via video conference. Closed press.

**SECRETARY MENTIONS**

**Mnuchin Holds Firm As Airlines Said To Be Close To Taking Federal Assistance. (REU, BLOOM, AP, CNBC, WP, HILL, POLITICO, CRCHIBIZ, FOXB)**

Reuters (4/13, Rucinski, Shepardson) reports some airlines are moving closer to accepting federal assistance provided by the Treasury Department as Treasury Undersecretary for International Affairs Brent McIntosh “told Reuters on Monday the agency was not planning to change the terms laid out on Friday, which require 30% of the funds allotted to each airline to be repaid.” Reuters reports industry officials believe every airline will agree to accept in the grants, and Treasury Secretary Steven Mnuchin said on Monday that announcements could come “very quickly.” Reuters reports, “officials told Reuters all of the large U.S. airlines were increasingly resigned to the terms.” McIntosh said that once the airlines agree to the terms, “We intend to get as much money out as quickly as possible, consistent with our obligation to taxpayers to know that it’s going for the right purposes.”

Bloomberg (4/13, Mohsin, Levin, Schlangensteen) reports airline officials “see very little room for movement with Treasury officials.” Bloomberg says Treasury has received applications from 230 passenger carriers, including 12 that would receive more than \$100 million each. Bloomberg reports, “airlines, unions and some key lawmakers involved in the \$2 trillion package that became law on March 27 said the intent was that the payroll assistance portion would go directly to carriers and their contractors without restrictions,” adding that while the law allows Mnuchin to seek “appropriate compensation,” the law does not require that he do so.

The Associated Press (4/13, Koenig) reports the “chief holdup” in the negotiations is “Treasury’s insistence that some of the \$25 billion in payroll assistance be in the form of loans, not cash.” Airlines for America said in a statement, “We believe the law indicated that the (direct aid) funding was to be only in grants — which is considerably more effective for our employees — and not a combination of grants and loans.” The spokeswoman added, “This federal relief is critical to getting our employees paid and

preventing furloughs right now, especially as our country is experiencing historically high unemployment claims.” Leaders of 11 unions sent a letter to Mnuchin arguing that if the assistance is delayed, jobs will be lost “and our aviation industry will collapse.” Association of Flight Attendants President Sara Nelson said, “This is not free money to the airlines, it’s money that is intended to keep people on the job and their paychecks going.” She added, “The pace of this is seriously concerning. There are smaller carriers that are not going to make payroll this week without that money.” CNBC (4/13, Josephs, Hirsch) reports Sens. Edward Markey (D-MA) and Richard Blumenthal (D-CT) sent a letter to Mnuchin and Transportation Secretary Elaine Chao warning, “even if airlines accept relief funding with these conditions, each company’s ability to preserve its workforce will be imperiled when the Treasury Department later demands repayment, leaving employees to ultimately pay the price.”

Additional coverage included the Washington (DC) Post (4/13, Whoriskey, Long), The Hill (4/13, Coleman), Politico (4/13, Mintz, Gurciullo), Crain’s Chicago Business (IL) (4/13) and Fox Business (4/13, Burman).

**Mnuchin: 80M Taxpayers Should Receive Relief By Wednesday. (BLOOM, USAT, AP, FOXB, CNBC, LAT, USNEWS, BOSGLOBE)**

Bloomberg (4/13, Jacobs) reports Treasury Secretary Steven Mnuchin “said 80 million taxpayers should receive coronavirus relief payments by Wednesday and that the government is accelerating assistance to businesses as well.” Mnuchin “announced the payments Monday at a White House news conference, along with progress the Small Business Administration has made in processing loans from the \$349 billion Paycheck Protection Program.” Mnuchin said the business loans are, “a brand new program that is now one-week old,” and that the SBA has processed “multiples and multiples” of anything it has done before.

USA Today (4/13, Collins, Hayes) reports the IRS started to disburse stimulus checks on Friday and “tens of millions will see them appear in their bank accounts by Wednesday, according to the Treasury Department.” The article says “those who haven’t provided the IRS with their bank account information will get a paper check in the mail, which could take longer, though the department has launched a portal on its website that allows Americans to input their direct deposit information to speed up getting the cash.”

The AP (4/13, Tucker, Parra, Wilson), Fox Business (4/13, De Lea), CNBC (4/13, Mui, Sloan), The Los Angeles Times (4/13, Harris) and U.S. News & World Report (4/13, Smith-Schoenwalder) also report.

***Markey, Warren To Mnuchin: Ensure Taxpayers Without Direct Deposit Quickly Receive Relief Funds.*** The Boston Globe (4/13, Prignano) reports Massachusetts Sens. Edward J. Markey (D) and Elizabeth Warren (D) “want the Treasury Department to ensure those without direct deposit receive their paper checks quickly as well.” The Senators sent a letter to Treasury Secretary Steven Mnuchin in which, according to the Globe, “They urged the IRS to promptly mail checks to taxpayers who do not have direct deposit information on file with the IRS, citing reports that the agency may not begin issuing paper checks until the week of May 4th.” Markey and Warren wrote, “We encourage you to do everything in your power to address this problem immediately and ensure that taxpayers quickly receive their stimulus checks, regardless of banking status.”

**Mnuchin Addresses Risks As Conservative Groups Plan Push For Trump To Reopen Economy. (WP)**

The Washington Post (4/13, Stein, Costa) reports, “Multiple leading conservative advocacy groups plan to soon announce a joint coalition to demand the reopening of the U.S. economy despite the ongoing coronavirus pandemic,” in what the Post calls an effort “to put pressure on President Trump and the nation’s governors to relax stay-at-home orders and other measures aimed at slowing the spread of the virus.” Treasury Secretary Steven Mnuchin said Tuesday during a White House briefing, “There’s



economic risks in both directions.” Mnuchin “said his advice to the president was that the economy should reopen ‘as soon as it’s ready to open and based upon the medical professionals.’”

#### **RCP Analysis: Mnuchin Key Figure Working Between Trump And Democrats. (REALCLEAR)**

In a lengthy profile of Treasury Secretary Steven Mnuchin, *Real Clear Politics* (4/13, Wegmann) reports that, unlike other Cabinet secretaries for whom life “can be brutish and short, Mnuchin enjoys rare job security. Many of his colleagues have been forced to resign. Others have been publicly humiliated, fired over the phone while on the toilet or left behind on the tarmac. Not him.” RCP quotes “a senior House aide” saying, “Despite the concerns of conservatives, it is clear that he has the trust of the president, which makes him a unique figure in the Cabinet.” The Secretary “wants to make a deal just like his boss promised to do during the campaign, and Mnuchin, despite his ideological naysayers, has delivered.”

#### **Mnuchin Gives Reassurances Of Mortgage Market’s Stability. (BLOOM)**

Bloomberg (4/14, Mohsin, Jacobs) reports Treasury Secretary Steven Mnuchin “offered reassurances Monday on the stability of the U.S. mortgage market amid the coronavirus pandemic and the squeeze it has put on mortgage servicers.” Mnuchin said in a White House briefing, “We’re going to make sure that the market functions properly.” Mnuchin “added that the Treasury Department has had discussions with the Federal Housing Finance Agency about the mortgage market,” saying, “We have all the appropriate people on it. We’re very aware of the issue.” Mnuchin also “said a Financial Stability Oversight Council task force had specifically studied the issue of mortgage servicer liquidity.”

#### **Legislators Urge Flexibility On PPP’s 10-Day Disbursement Window. (ABABJ, AP)**

The *ABA Banking Journal* (4/13) reports that on Friday, a group of lawmakers wrote to Treasury Secretary Steven Mnuchin and SBA Administrator Jovita Carranza “urging them to provide flexibility to lenders regarding the 10-day disbursement window to disburse Paycheck Protection Program funds to borrowers.” The bipartisan group of lawmakers “noted that banks began issuing loans prior to the 10-day requirement being finalized.” In the letter, they wrote that the flexibility “will help lending and compliance departments fulfill the needs of their already approved PPP borrowers while preserving access to PPP applications for businesses in their community who may still apply,” as well as “preserve the intent of the CARES Act to expeditiously distribute money to small businesses quickly and preserve eligibility for loan forgiveness for certain expenses by the small businesses.”

**AP Analysis: PPP Falling Short Of Expectations Set By Mnuchin.** The *AP* (4/13, Rosenberg) reports the PPP “so far hasn’t lived up to expectations raised by Treasury Secretary Steven Mnuchin, who said in announcing the program that owners could get loan money the same day they applied.” However, “neither the SBA nor banks could turn around hundreds of thousands of loans in a matter of days, let alone hours.” The *AP* mentions “other obstacles to getting the money flowing” including when the SBA “ran into computer problems and bankers initially favored their most established customers,” as well as “confusion between the SBA and banks over loan documents.”

### **MAJOR DEPARTMENT MENTIONS**

#### **State AGs Push Treasury To Block Covid-19 Relief Checks From Creditors. (LAW360)**

*Law360* (4/13, Cullen) reports, “Attorneys general from California, New York and a slew of other states called on the Treasury Department to ensure debt collectors can’t get their hands on the stimulus checks the federal government is giving out to help U.S. residents weather the coronavirus pandemic.” The relief payments reportedly “have already started appearing in people’s bank accounts, but the states said Monday there’s no legislative guardrail keeping creditors from tapping into them.” However, “Only the Treasury can fix this oversight, the attorneys general said, pointing to a provision in the \$2.2 trillion relief package that allows the department to roll out regulations as needed to help guide the distribution.” The AGs said, “The states request that Treasury immediately take any and all actions to designate CARES Act

payments as exempt from garnishment, including by issuing a regulation or guidance designating CARES Act payments as ‘benefit payments’ exempt from garnishment.”

## **POLITICO MORNING MONEY**

**Inside the global race to prevent another depression** — I go long [here this morning](#) with Victoria Guida and Matthew Karnitschnig on global economic efforts to fight a beast none have ever seen before:

**Join me this morning** — In our second Morning Money Virtual Briefing this morning at 9:00 a.m., I’ll speak with JPMorgan Chief Economist Michael Feroli about whether we can really avoid a deep and prolonged recession and if he thinks the stock market has already hit bottom. We’ll also talk about plans for re-opening the economy and the risks of further outbreaks bringing fresh shocks. We will also take your questions. Tweet them under the hashtag #AskPOLITICO. [Sign up here](#).

**Trump says he alone can do re-open the economy** — President Donald Trump argues that he alone can reopen the American economy for business, something that is, to be blunt, false. The Constitution does not afford the president the authority to direct governors to change their policies on stay-at-home orders and social distancing. He also can’t force businesses to open or consumers to go out and resume normal life. There is no magical presidential wand here.

This also of course is the direct inverse of his approach to the coronavirus crisis itself, in which he has regularly put the onus on governors to manage the response rather than taking full control at the federal level. Trump does have the authority to regulate interstate commerce.

But that mainly pertains to enforcing quarantines rather than forcing governors to limit them. He can try and bully states by withholding federal money or directing all federal workers in states back into their offices. But that would have a limited impact and could create political blowback. Groups of states are already launching their own reopening plans (more on that below).

**Thought exercise:** Imagine the GOP response if President Barack Obama ever said this, which Trump did at a press conference in which he also aired a campaign infomercial: “When somebody’s president of the United States, the authority is total. And that’s the way it’s got to be. It’s total. It’s total. And the governors know that.” They would have gone bananas.

**Wall Street worries about Fauci firing** — Trump over the weekend retweeted a post by a former GOP congressional candidate criticizing Anthony Fauci and including the hashtag #FireFauci. That’s got at least some on Wall Street nervous that Trump will dump his top virus expert as part of a rush to reopen that could backfire.

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## **FLY AROUND**

**HOW COVID-19 SPREAD THROUGH CORPORATE AMERICA** — WSJ’s Inti Pacheco and Stephanie Stamm: “With the first quarter in the books, big companies are preparing to disclose to investors early indications of the economic toll of the coronavirus pandemic. ...

“The Wall Street Journal, with help from data tracker MyLogIQ, analyzed public filings for companies in the S&P Composite 1500 Index — which covers about 90 percent of U.S. market capitalization — to assess the impact thus far. Among the findings: Almost 300 companies withdrew their financial guidance. About 175 companies suspended stock buybacks or cut their dividend. One hundred firms that together employ some three million people said they would furlough workers.”

**ECONOMIC PAIN WILL PERSIST WELL PAST LOCKDOWNS** — NYT’s Jim Tankersley: “The evidence suggests it is not just stay-at-home orders and other government restrictions that have chilled economic activity in the United States over the past month: It is also a behavioral response from workers and consumers scared of contracting the virus.”

**WORLD BANK, IMF PUSH TO CONSOLIDATE PATCHWORK APPROACH TO CRISIS** — WSJ’s Josh Zumbrun and David Harrison: “In times of crisis, the world’s economic policy makers have often gathered at G-20 summits and at the semiannual meetings of the International Monetary Fund and World Bank to formulate global rescues. But not this time.

“No officials will travel to Washington, D.C., for meetings that had been scheduled this week. Instead, finance ministers and central bankers — like most of the world’s office dwellers — will hold their meetings virtually, attempting to combat the most severe global downturn since the Great Depression, via teleconferences and video chats.”

**WORLD BANK SEES ‘HUGE WILLINGNESS’ TO SUSPEND DEBT PAYMENTS FOR POOREST COUNTRIES** — Reuters’ Andrea Shalal: “The World Bank is seeing ‘a huge willingness’ on the part of official bilateral creditors to suspend debt payments by the world’s poorest countries so they can focus on fighting the coronavirus pandemic, a top Bank official said on Monday.”

**ECONOMIC REOPENING WILL BE FRAGILE, PARTIAL AND SLOW** — WSJ’s Erich Schwartzel, Alison Sider and Heather Haddon: “The re-emergence over the coming weeks and months will be fitful, fragile and partial — and a bit dystopian, with frequent temperature checks, increased monitoring of employees and customers, and, potentially, blood tests to determine whether workers have likely immunity to the virus.”

**FRESH DONATIONS** — Per release: “Owl Rock Capital, a leading alternative asset manager, announced ... that it will donate \$1 million to Food Bank For New York City to assist with relief efforts related to the ongoing COVID-19 pandemic”

April 14, 2020

## Public Affairs Notes:

### This week:

- **Today, Tuesday, April 14, and Wednesday, April 15**, Secretary Steven T. Mnuchin will participate in the G7 Finance Ministerial and Central Bank Governors Meetings via video conference. Closed press.
- **On Thursday, April 15, and Friday, April 16**, Secretary Steven T. Mnuchin will participate in the International Monetary Fund and World Bank Meetings via video conference. Closed press.

### SECRETARY MENTIONS

#### **Mnuchin Holds Firm As Airlines Said To Be Close To Taking Federal Assistance. (REU, BLOOM, AP, CNBC, WP, HILL, POLITICO, CRCHIBIZ, FOXB)**

Reuters (4/13, Rucinski, Shepardson) reports some airlines are moving closer to accepting federal assistance provided by the Treasury Department as Treasury Undersecretary for International Affairs Brent McIntosh “told Reuters on Monday the agency was not planning to change the terms laid out on Friday, which require 30% of the funds allotted to each airline to be repaid.” Reuters reports industry officials believe every airline will agree to accept in the grants, and Treasury Secretary Steven Mnuchin said on Monday that announcements could come “very quickly.” Reuters reports, “officials told Reuters all of the large U.S. airlines were increasingly resigned to the terms.” McIntosh said that once the airlines agree to the terms, “We intend to get as much money out as quickly as possible, consistent with our obligation to taxpayers to know that it’s going for the right purposes.”

Bloomberg (4/13, Mohsin, Levin, Schlangensteen) reports airline officials “see very little room for movement with Treasury officials.” Bloomberg says Treasury has received applications from 230 passenger carriers, including 12 that would receive more than \$100 million each. Bloomberg reports, “airlines, unions and some key lawmakers involved in the \$2 trillion package that became law on March 27 said the intent was that the payroll assistance portion would go directly to carriers and their contractors without restrictions,” adding that while the law allows Mnuchin to seek “appropriate compensation,” the law does not require that he do so.

The Associated Press (4/13, Koenig) reports the “chief holdup” in the negotiations is “Treasury’s insistence that some of the \$25 billion in payroll assistance be in the form of loans, not cash.” Airlines for America said in a statement, “We believe the law indicated that the (direct aid) funding was to be only in grants — which is considerably more effective for our employees — and not a combination of grants and loans.” The spokeswoman added, “This federal relief is critical to getting our employees paid and preventing furloughs right now, especially as our country is experiencing historically high unemployment claims.” Leaders of 11 unions sent a letter to Mnuchin arguing that if the assistance is delayed, jobs will be lost “and our aviation industry will collapse.” Association of Flight Attendants President Sara Nelson said, “This is not free money to the airlines, it’s money that is intended to keep people on the job and their paychecks going.” She added, “The pace of this is seriously concerning. There are smaller carriers that are not going to make payroll this week without that money.” CNBC (4/13, Josephs, Hirsch) reports Sens. Edward Markey (D-MA) and Richard Blumenthal (D-CT) sent a letter to Mnuchin and Transportation Secretary Elaine Chao warning, “even if airlines accept relief funding with these conditions, each company’s ability to preserve its workforce will be imperiled when the Treasury Department later demands repayment, leaving employees to ultimately pay the price.”



Additional coverage included the Washington (DC) Post (4/13, Whoriskey, Long), The Hill (4/13, Coleman), Politico (4/13, Mintz, Gurciullo), Crain's Chicago Business (IL) (4/13) and Fox Business (4/13, Burman).

**Mnuchin: 80M Taxpayers Should Receive Relief By Wednesday. (BLOOM, USAT, AP, FOXB, CNBC, LAT, USNEWS, BOSGLOBE)**

Bloomberg (4/13, Jacobs) reports Treasury Secretary Steven Mnuchin "said 80 million taxpayers should receive coronavirus relief payments by Wednesday and that the government is accelerating assistance to businesses as well." Mnuchin "announced the payments Monday at a White House news conference, along with progress the Small Business Administration has made in processing loans from the \$349 billion Paycheck Protection Program." Mnuchin said the business loans are, "a brand new program that is now one-week old," and that the SBA has processed "multiples and multiples" of anything it has done before.

USA Today (4/13, Collins, Hayes) reports the IRS started to disburse stimulus checks on Friday and "tens of millions will see them appear in their bank accounts by Wednesday, according to the Treasury Department." The article says "those who haven't provided the IRS with their bank account information will get a paper check in the mail, which could take longer, though the department has launched a portal on its website that allows Americans to input their direct deposit information to speed up getting the cash."

The AP (4/13, Tucker, Parra, Wilson), Fox Business (4/13, De Lea), CNBC (4/13, Mui, Sloan), The Los Angeles Times (4/13, Harris) and U.S. News & World Report (4/13, Smith-Schoenwalder) also report.

***Markey, Warren To Mnuchin: Ensure Taxpayers Without Direct Deposit Quickly Receive Relief Funds.*** The Boston Globe (4/13, Prignano) reports Massachusetts Sens. Edward J. Markey (D) and Elizabeth Warren (D) "want the Treasury Department to ensure those without direct deposit receive their paper checks quickly as well." The Senators sent a letter to Treasury Secretary Steven Mnuchin in which, according to the Globe, "They urged the IRS to promptly mail checks to taxpayers who do not have direct deposit information on file with the IRS, citing reports that the agency may not begin issuing paper checks until the week of May 4th." Markey and Warren wrote, "We encourage you to do everything in your power to address this problem immediately and ensure that taxpayers quickly receive their stimulus checks, regardless of banking status."

**Mnuchin Addresses Risks As Conservative Groups Plan Push For Trump To Reopen Economy. (WP)**

The Washington Post (4/13, Stein, Costa) reports, "Multiple leading conservative advocacy groups plan to soon announce a joint coalition to demand the reopening of the U.S. economy despite the ongoing coronavirus pandemic," in what the Post calls an effort "to put pressure on President Trump and the nation's governors to relax stay-at-home orders and other measures aimed at slowing the spread of the virus." Treasury Secretary Steven Mnuchin said Tuesday during a White House briefing, "There's economic risks in both directions." Mnuchin "said his advice to the president was that the economy should reopen 'as soon as it's ready to open and based upon the medical professionals.'"

**RCP Analysis: Mnuchin Key Figure Working Between Trump And Democrats. (REALCLEAR)**

In a lengthy profile of Treasury Secretary Steven Mnuchin, Real Clear Politics (4/13, Wegmann) reports that, unlike other Cabinet secretaries for whom life "can be brutish and short, Mnuchin enjoys rare job security. Many of his colleagues have been forced to resign. Others have been publicly humiliated, fired over the phone while on the toilet or left behind on the tarmac. Not him." RCP quotes "a senior House

aide” saying, “Despite the concerns of conservatives, it is clear that he has the trust of the president, which makes him a unique figure in the Cabinet.” The Secretary “wants to make a deal just like his boss promised to do during the campaign, and Mnuchin, despite his ideological naysayers, has delivered.”

### **Mnuchin Gives Reassurances Of Mortgage Market’s Stability. (BLOOM)**

Bloomberg (4/14, Mohsin, Jacobs) reports Treasury Secretary Steven Mnuchin “offered reassurances Monday on the stability of the U.S. mortgage market amid the coronavirus pandemic and the squeeze it has put on mortgage servicers.” Mnuchin said in a White House briefing, “We’re going to make sure that the market functions properly.” Mnuchin “added that the Treasury Department has had discussions with the Federal Housing Finance Agency about the mortgage market,” saying, “We have all the appropriate people on it. We’re very aware of the issue.” Mnuchin also “said a Financial Stability Oversight Council task force had specifically studied the issue of mortgage servicer liquidity.”

### **Legislators Urge Flexibility On PPP’s 10-Day Disbursement Window. (ABABJ, AP)**

The ABA Banking Journal (4/13) reports that on Friday, a group of lawmakers wrote to Treasury Secretary Steven Mnuchin and SBA Administrator Jovita Carranza “urging them to provide flexibility to lenders regarding the 10-day disbursement window to disburse Paycheck Protection Program funds to borrowers.” The bipartisan group of lawmakers “noted that banks began issuing loans prior to the 10-day requirement being finalized.” In the letter, they wrote that the flexibility “will help lending and compliance departments fulfill the needs of their already approved PPP borrowers while preserving access to PPP applications for businesses in their community who may still apply,” as well as “preserve the intent of the CARES Act to expeditiously distribute money to small businesses quickly and preserve eligibility for loan forgiveness for certain expenses by the small businesses.”

***AP Analysis: PPP Falling Short Of Expectations Set By Mnuchin.*** The AP (4/13, Rosenberg) reports the PPP “so far hasn’t lived up to expectations raised by Treasury Secretary Steven Mnuchin, who said in announcing the program that owners could get loan money the same day they applied.” However, “neither the SBA nor banks could turn around hundreds of thousands of loans in a matter of days, let alone hours.” The AP mentions “other obstacles to getting the money flowing” including when the SBA “ran into computer problems and bankers initially favored their most established customers,” as well as “confusion between the SBA and banks over loan documents.”

## **MAJOR DEPARTMENT MENTIONS**

### **State AGs Push Treasury To Block Covid-19 Relief Checks From Creditors. (LAW360)**

Law360 (4/13, Cullen) reports, “Attorneys general from California, New York and a slew of other states called on the Treasury Department to ensure debt collectors can’t get their hands on the stimulus checks the federal government is giving out to help U.S. residents weather the coronavirus pandemic.” The relief payments reportedly “have already started appearing in people’s bank accounts, but the states said Monday there’s no legislative guardrail keeping creditors from tapping into them.” However, “Only the Treasury can fix this oversight, the attorneys general said, pointing to a provision in the \$2.2 trillion relief package that allows the department to roll out regulations as needed to help guide the distribution.” The AGs said, “The states request that Treasury immediately take any and all actions to designate CARES Act payments as exempt from garnishment, including by issuing a regulation or guidance designating CARES Act payments as ‘benefit payments’ exempt from garnishment.”



## **POLITICO MORNING MONEY**

**Inside the global race to prevent another depression** — I go long [here this morning with Victoria Guida and Matthew Karnitschnig](#) on global economic efforts to fight a beast none have ever seen before:

**Join me this morning** — In our second Morning Money Virtual Briefing this morning at 9:00 a.m., I'll speak with JPMorgan Chief Economist Michael Feroli about whether we can really avoid a deep and prolonged recession and if he thinks the stock market has already hit bottom. We'll also talk about plans for re-opening the economy and the risks of further outbreaks bringing fresh shocks. We will also take your questions. Tweet them under the hashtag #AskPOLITICO. [Sign up here](#).

**Trump says he alone can do re-open the economy** — President Donald Trump argues that [he alone can reopen the American economy](#) for business, something that is, to be blunt, false. The Constitution does not afford the president the authority to direct governors to change their policies on stay-at-home orders and social distancing. He also can't force businesses to open or consumers to go out and resume normal life. There is no magical presidential wand here.

This also of course is the direct inverse of his approach to the coronavirus crisis itself, in which he has regularly put the onus on governors to manage the response rather than taking full control at the federal level. Trump does have the authority to regulate interstate commerce.

But that mainly pertains to enforcing quarantines rather than forcing governors to limit them. He can try and bully states by withholding federal money or directing all federal workers in states back into their offices. But that would have a limited impact and could create political blowback. Groups of states are already launching their own reopening plans (more on that below).

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## **FLY AROUND**

**HOW COVID-19 SPREAD THROUGH CORPORATE AMERICA** — WSJ’s Inti Pacheco and Stephanie Stamm: “With the first quarter in the books, big companies are preparing to disclose to investors early indications of the economic toll of the coronavirus pandemic. ...

“The Wall Street Journal, with help from data tracker MyLogIQ, analyzed public filings for companies in the S&P Composite 1500 Index — which covers about 90 percent of U.S. market capitalization — to assess the impact thus far. Among the findings: Almost 300 companies withdrew their financial guidance. About 175 companies suspended stock buybacks or cut their dividend. One hundred firms that together employ some three million people said they would furlough workers.”

**ECONOMIC PAIN WILL PERSIST WELL PAST LOCKDOWNS** — NYT’s Jim Tankersley: “The evidence suggests it is not just stay-at-home orders and other government restrictions that have chilled economic activity in the United States over the past month: It is also a behavioral response from workers and consumers scared of contracting the virus.”

**WORLD BANK, IMF PUSH TO CONSOLIDATE PATCHWORK APPROACH TO CRISIS** — WSJ’s Josh Zumbrun and David Harrison: “In times of crisis, the world’s economic policy makers have often gathered at G-20 summits and at the semiannual meetings of the International Monetary Fund and World Bank to formulate global rescues. But not this time.

“No officials will travel to Washington, D.C., for meetings that had been scheduled this week. Instead, finance ministers and central bankers — like most of the world’s office dwellers — will hold their meetings virtually, attempting to combat the most severe global downturn since the Great Depression, via teleconferences and video chats.”

**WORLD BANK SEES ‘HUGE WILLINGNESS’ TO SUSPEND DEBT PAYMENTS FOR POOREST COUNTRIES** — Reuters’ Andrea Shalal: “The World Bank is seeing ‘a huge willingness’ on the part of official bilateral creditors to suspend debt payments by the world’s poorest countries so they can focus on fighting the coronavirus pandemic, a top Bank official said on Monday.”

**ECONOMIC REOPENING WILL BE FRAGILE, PARTIAL AND SLOW** — WSJ’s Erich Schwartzel, Alison Sider and Heather Haddon: “The re-emergence over the coming weeks and months will be fitful, fragile and partial — and a bit dystopian, with frequent temperature checks, increased monitoring of employees and customers, and, potentially, blood tests to determine whether workers have likely immunity to the virus.”

**FRESH DONATIONS** — Per release: “Owl Rock Capital, a leading alternative asset manager, announced ... that it will donate \$1 million to Food Bank For New York City to assist with relief efforts related to the ongoing COVID-19 pandemic”



**From:** (b)(6)  
**Sent:** Wed, 22 Apr 2020 09:13:54 -0400  
**To:** Undisclosed recipients:  
**Subject:** 04-22-2020 PA Senior Staff Notes  
**Attachments:** 04-22-2020 PA Senior Staff Notes.docx

April 22, 2020

**Public Affairs Notes:**

**This week:**

- **Today, Wednesday, April 22,** Secretary Steven T. Mnuchin will participate in the Spring Social Security and Medicare Trustees' Meeting via conference call. Closed press.
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**SECRETARY MENTIONS**

**Senate Unanimously Passes \$484B Relief Package For Small Businesses, Hospitals. (ABCNEWS, USAT, WSJ, WP, NSWK, VOX, CNBC, NPR, HILL, FT, CNN, FOXB, NBCNEWS, CBSNEWS, BLOOM, REU, NYT, INDUK, AP)**

ABC News (4/21, Turner, Khan, Siegel) reports the Senate "unanimously approved a bipartisan deal Tuesday afternoon that will pump another \$310 billion into the Paycheck Protection Program," part of a total package that "tops \$484 billion." The deal's final details "were hammered out 'well past midnight' in a conference call between" Senate Minority Leader Chuck Schumer, House Speaker Nancy Pelosi, Treasury Secretary Steven Mnuchin, and WH Chief of Staff Mark Meadows, according to Schumer, who also "said that the Trump administration had agreed to a national strategy to test Americans for the novel coronavirus, something for which Democrats have fought for weeks." On the testing, Schumer added, "You need a significant federal involvement. You need a national strategy, and Mnuchin and the President and Meadows agreed to that, to their credit."

USA Today (4/21, Hayes) reports Secretary Mnuchin said at the White House daily coronavirus briefing on Tuesday, "We've had tremendous support for the PPP." Mnuchin also "promised the program would be 'up and running' again soon after it passes both chambers and is signed" by President Trump and "estimated that the program has saved 30 million jobs." The Wall Street Journal (4/21, Peterson) reports Mnuchin thanked the leaders of both parties for their work in replenishing the Paycheck Protection Program funding. Mnuchin said, "There is now a lot of money back in the program, and we look forward to all these small businesses getting access to funds." The Washington Post (4/21, Werner) reports Mnuchin also "said Tuesday that larger firms would now be blocked from using the" Paycheck Protection Program, "and Trump called on some big companies that had already obtained taxpayer-backed loans to return the money."

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another no-strings-attached \$251 billion into the fund before it ran out last week.” However, “Democrats first wanted assurances that a portion of the money would go to rural, minority and women-owned small businesses they say were underserved. They demanded more money for hospitals, state and local governments, and food stamps.”

Vox (4/21, Zhou) reports Democrats’ main demand “that has been omitted from this deal is the additional funding that lawmakers would like to see go to cities and states, many of which are facing incredible financial strain given reductions in tax revenue.” Mnuchin “signaled that this issue would be addressed as part of negotiations for the next funding bill,” saying in a CNN interview Sunday, “The president has heard from the governors and he’s prepared to discuss that in the next bill.”

CNBC (4/21, Hirsch, Dzhanova), NPR (4/21, Snell), The Hill (4/21, Bolton), The Financial Times (4/21, Weaver), CNN (4/21, Raju, Foran), Fox Business (4/21, Gasparino), NBC News (4/21, Egan, Tsirkin), CBS News (4/21, Segers), Bloomberg (4/21, Wasson, House, Wingrove), Reuters (4/21, Holland), among other news outlets, also report.

***Trump Says He Will Request Bigger Companies Return Small Business Loans.*** Bloomberg (4/21, Parker) reports that President Trump “said he would ask larger companies to return money they accessed from the federal stimulus package because it was intended to help small businesses.” Trump “criticized Harvard University’s endowment, which was reported borrowing more than \$8 million through the program. But Harvard said in a statement that it ‘did not apply for, nor has it received any funds through the U.S. Small Business Administration’s Paycheck Protection Program for small businesses.’” Meanwhile, “speaking at the same press conference, Treasury Secretary Steven Mnuchin threatened ‘severe consequences’ for those who take money from the program without meeting the criteria and fail to return it.” Reuters (4/21, Holland, Alper), The New York (NY) Times (4/21, Hartocollis), USA Today (4/21, Fritze), Fox Business (4/21, Manfredi), The Hill (4/21, Chalfant), The Independent (UK) (4/21, Zoellner), and Newsweek (4/21, Martin) also report.

***AP Report: Big Corporations Got Hundreds Of Millions Of Dollars Intended For Small Businesses.*** The AP (4/21, Dunklin, Pritchard, Myers, Fauria) reports that “companies with thousands of employees, past penalties from government investigations and risks of financial failure even before the coronavirus walloped the economy were among those receiving millions of dollars from a relief fund that Congress created to help small businesses through the crisis.” The AP says the Paycheck Protection Program was “supposed to infuse small businesses, which typically have less access to quick cash and credit, with \$349 billion in emergency loans. ... But at least 75 companies that received the aid were publicly traded, the AP found, and some had market values well over \$100 million.” The AP adds, “And 25% of the companies had warned investors months ago – while the economy was humming along – that their ability to remain viable was in question.” The AP notes Secretary Mnuchin “addressed the issue at Tuesday evening’s White House briefing, saying, ‘The intent of this money was not for big public companies that had access to capital.’”

***People With Criminal Records Complain About Coronavirus Aid Eligibility Rule.*** The AP (4/21, Colvin) also reports some independent contractors and self-employed individuals who have criminal records are complaining that they are ineligible to receive coronavirus aid through the Paycheck Protection Program. On Tuesday, Treasury Secretary Steven Mnuchin “said the rule already reflected changes that had been made because of the White House’s work on criminal justice issues.” Alice Marie Johnson, a nonviolent drug offender who had her lifetime prison sentence commuted by President Trump, “said in an interview Monday...that she and others had succeeded in getting” the Administration to reduce the ineligibility time period from seven to five years. But Justice Action Network Executive Director Holly Harris blasted the ineligibility rule, saying, “When people can’t work, what do these geniuses who wrote this language think they’re going to do? They’re going to return to crime, return to” substance use disorder, or other problems that “they’ve done the hard work to get away from.”



**Treasury Plans To Get COVID Relief Payments To Some Americans Using Prepaid Debit Cards. (HILL, POLITICO, FOXB, MRKWTCH, MILTIMES, LAW360)**

The Hill (4/21, Jagoda) reports the Treasury Department “plans to get some people their coronavirus relief payments by sending them prepaid debit cards, in an effort to get people their payments faster, Treasury Secretary Steven Mnuchin said Tuesday.” Mnuchin, speaking at a White House press briefing, said Treasury is “going to be supplementing our capability and sending prepaid debit cards so we can get money out quickly to people.” Treasury “has said that payments have already been sent to more than 80 million Americans via direct deposit, and that paper checks started to be issued this week.” Mnuchin added, “We’re very pleased. The direct deposits have gone out. We’ve started sending out the checks.”

**House Dems Urge Treasury To Accommodate Recipients Of Social Security Over COVID Relief Deadline.** The Hill (4/21, Jagoda) reports Reps. John Larson (D-CT) and Danny Davis (D-IL), in a Tuesday letter to Treasury Secretary Steven Mnuchin, “are urging the Treasury Department to provide an ‘additional accommodation’ for Social Security recipients who are unable to meet Wednesday’s deadline to provide information to the IRS in order to quickly receive coronavirus rebates for their dependent children.” Larson and Davis wrote, “Given the importance of these payments at this critical time, we urge Treasury to consider all available options for paying these beneficiaries additional amounts owed this year.” Larson and Davis “said they appreciated that Treasury wants to quickly make payments to Social Security and railroad retirement recipients but expressed concerns about the fact that the IRS announced the deadline less than 48 hours before it occurs.” Politico (4/21, Becker), Fox Business (4/21, Henney), MarketWatch (4/21, Keshner), and Military Times (4/21, Shane) also report.

**Wyden Presses Mnuchin On Decision To Add Trump’s Name To COVID-19 Relief Checks.** The Hill (4/21, Jagoda) reports Sen. Ron Wyden (D-OR), the Senate Finance Committee’s ranking member, “on Tuesday pressed Treasury Secretary Steven Mnuchin about the decision to put President Trump’s name on the coronavirus relief checks, after Mnuchin said the move was his idea.” Wyden said, in a letter to Mnuchin, “To set the record straight, I request details about how you made this decision to benefit the president politically, which may delay delivery of critical funds to millions of Americans struggling to pay the rent and put food on the table.” Wyden “said in his letter that Mnuchin’s comments were ‘surprising’ to him because his staff had previously asked Treasury officials questions about signatures on the checks, and those officials didn’t answer them.” Wyden added, “If adding the signature was in fact your idea that information could have already been made available to Congress.” Law360 (4/21, Moroses) also reports.

**Trump Tells Treasury, Energy Secretaries To Make Funding Available To US Oil Companies. (REU, HILL, CNBC, BLOOM, AXIOS, WP, FOXB, FT, MRKWTCH)**

Reuters (4/21, Ahmann, Heavey) reports that President Trump on Tuesday said he has asked his Cabinet “to devise a plan to inject cash into the ailing U.S. oil-drilling industry to help it survive a historic collapse in crude prices.” Reuters reports that Energy Secretary Brouillette has said he and Treasury Secretary Steven Mnuchin are working to “roughly double the size-limit on loans available to mid-tier U.S. energy companies under the recently passed CARES Act stimulus package to \$200 million-\$250 million.”

The Hill (4/21, Frazin) reports Trump said on Twitter, “We will never let the great U.S. Oil & Gas Industry down. I have instructed the Secretary of Energy and Secretary of the Treasury to formulate a plan which will make funds available so that these very important companies and jobs will be secured long into the future.” CNBC (4/21, Calia, Breuninger) reports on its website that the President “did not specify how much money would be made available, or which oil and gas companies would be eligible to receive it.”

Bloomberg (4/21, Natter, Dlouhy) reports that one potential way the Trump Administration could support the industry is for Secretary Mnuchin to “deem some of those companies as critical to national security, qualifying them for a share of \$17 billion authorized by Congress.”

Axios (4/21, Harder, Geman), The Washington (DC) Post (4/21, Englund), Fox Business (4/21, O'Halloran), The Financial Times (4/21, Sevastopulo, Politi, Fedor), and MarketWatch (4/21, Bartash) also report.

### **Treasury Has Used “More Than Half” Of COVID-19 Relief Fund For State, Local, Tribal Governments. (BLOOM)**

Bloomberg (4/21, Tanzi, Mohsin) reports the Treasury Department “has deployed more than half of the Coronavirus Relief Fund, which provides for payments to state, local, and tribal governments.”

Treasury’s daily statement “notes that as of Monday, \$81.9 billion had been used this month. The \$150 billion fund was established to help lessen the economic impact of the Covid-19 outbreak.” Treasury Secretary Steven Mnuchin “has been rapidly deploying pieces of \$2.2 trillion in relief that President Donald Trump signed into law on March 27 to boost an economy reeling from the virus-induced shutdown.” Mnuchin “has also authorized the Federal Reserve to launch nine different lending facilities – of which four are fully operational – and disbursed some \$349 billion to small businesses.”

### **Administration Intends To Repeal Regulations That Could Hinder Small Business Recovery (WP, VOX)**

The Washington Post (4/21, Stein, Costa) reports that the Trump Administration is “planning to launch a sweeping effort in the coming days to repeal or suspend federal regulations affecting businesses, with the expected executive action seen by advisers as a way to boost an economy facing its worst shock in generations.” According to the Post, “The White House-driven initiative is expected to center on suspending federal regulations for small businesses and expanding an existing administration program that requires agencies to revoke two regulations for every new one they issue.” The Post adds, “While the plan remains in flux, changes could affect environmental policy, labor policy, workplace safety and health care, among other areas.” The Post reports that NEC Director Larry Kudlow is “working closely on the plan” with Treasury Secretary Steven Mnuchin. Vox (4/21, Burns) also reports.

## **POLITICO MORNING MONEY**

**How the U.S. is (still) failing on Covid-19** — I write at some length here with the help of several POLITICO colleagues about how even with the new \$483 billion relief bill, the U.S. has failed pretty miserably to fight Covid-19 itself and to do enough to shore up the cratering economy.

**A couple of highlights:** “The nation needs upwards of 30 million tests per week to properly track the virus, health experts say. The country is only testing around 1 million a week now. It could take a public health army of more than 100,000 to track and trace those carrying the virus. There are only a few thousand so far.

“It may take a trillion dollars just to keep small businesses alive, based on the current burn rate ... Congress, mostly stuck outside of Washington with no capacity to legislate remotely like it is stuck the 19th century, appeared to seal a deal \$484 billion deal Tuesday that would bring the total for small business up to around \$670 billion.”

**We are also suffering from a bitterly polarized political and media culture** — born at least two decades ago and jacked up on steroids during the Donald Trump era — that has left governors battling the president and citizens battling each other over how and when everyone should emerge from their bunkers”



**Money quote from historian Douglas Brinkley:** “The United States was once known for its can-do culture. We built the Panama Canal and we put a man on the moon ...

"And now we can't get a swab or a face mask or a gown and we have no real chain of command. And we have two Americas, a Republican one and a Democratic one, and they won't collaborate. We are not leading in the pandemic response, we are trailing other countries by a long shot. This is a crippling blow to America's prestige around the world."

**Trump's trust gap** — The latest POLITICO/Morning Consult poll shows that only 38 percent say they have “a lot” or “some” trust in President Trump to make the right call on relaxing guidelines.

A total of 53 percent have “not much” trust in Trump, or none. More voters say they have “a lot” or “some” trust in Anthony Fauci (71 percent), the CDC (71 percent), their state's governor (60 percent) and Vice President Mike Pence (40 percent).

## **DRIVING THE DAY**

**SOME GOOD NEWS?** — Via Morning John Leer, economist for Morning Consult: “Since the coronavirus pandemic hit the United States, Morning Consult's Index of Consumer Confidence has been on a roller coaster. It went from 115.70 on Feb. 10, the highest point recorded since Morning Consult began tracking consumer sentiment on Jan. 1, 2018, to an all-time low of 81.23 on April 7, marking a 29.8 percent drop. ...

“Since then, however, consumer sentiment appears to have stabilized. After a strong and persistent rebound in confidence in the seven days following the all-time low, the ICS hit 83.57 on April 15 and has remained in that range ever since.”

**McCONNELL SAYS NO MORE LONG-DISTANCE STIMULUS** — Our Burgess Everett: “Senate Majority Leader Mitch McConnell is drawing a line: There will be no more attempts at long-distance legislating on the coronavirus.

“In a telephone interview ... after passage of a \$484 billion coronavirus relief bill, the Senate majority leader made clear that the full Senate must be in session before Congress begins its fifth installment of responding to the pandemic. And he signaled he was growing weary of quickly shoveling billions of dollars out the door even as the economy continues to crater.”

**SECOND BIG INSTALLMENT GETS THROUGH SENATE** — Via Burgess and Heather Caygle: “After two weeks of stalemate and days of frenetic negotiations, the Senate approved a nearly \$500 billion coronavirus aid bill ... with the House set for passage later this week.

“The agreement centers around providing \$380 billion for small businesses and also includes \$75 billion for hospitals and \$25 billion for disease testing. It comes after a brutal conflict between party leaders over how to pass a massive bill with the Senate in recess. Full text of the bill.

## **CORONAVIRUS EFFECTS**

**ANOTHER KEY SBA LENDING PROGRAM JEOPARDIZED** — Our indefatigable Zachary Warmbrodt: “Confusion surrounding the \$350 billion small business loan program that ran out of funds last week is threatening to claim a new victim — a separate government lending vehicle that banks say will shut down soon if Congress doesn't act fast.

“Lenders are pleading with lawmakers to save the Small Business Administration's 7(a) program, which was the government's primary lending plan for small firms before Congress created the Paycheck Protection Program to fight layoffs during the pandemic through forgivable loans. The much smaller and more traditional 7(a) program allows lenders to make government-backed loans to businesses that might otherwise be unable to get credit”

**NEW CORPORATE DATA** — Via JUST Capital on the 100 largest U.S. employers' actions in the wake of the COVID-19 and economic crises: 27% of companies have announced executive pay cuts, up from 6% on March 24. On average, executive pay has been reduced by about two-thirds (66%); 33% of companies have provided some type of financial assistance to their employees, up from 19% on March 24.

**HOW TO REOPEN** — Mohamed A. El-Erian on Bloomberg Opinion: "The U.S. is polarizing on when and how to reopen its economy. State governments are being pressured to make decisions with a less-than-comprehensive assessment of the trade-offs between public health and the economy, increasing the probability of a stop-go-stop pattern that, if we are incredibly lucky, could lead to a desirable outcome but also faces the considerable risk of ending up with the worst of both worlds."

**TRUMKA WARNS TRUMP NOT TO GO TOO FAST** — Our Ian Kullgren: "AFL-CIO President Richard Trumka ... urged ... Trump not to prematurely reopen the U.S. economy, warning it could put millions of workers at risk. Speaking to reporters in a conference call, Trumka laid out a list of 'demands' that the administration must meet to restart businesses, including widespread testing for workers and a nationwide infectious disease standard from OSHA."

**FHFA BENDS TO PRESSURE FOR RELIEF** — Our Katy O'Donnell and Victoria Guida: "A top government regulator ... offered cash-strapped mortgage companies a break after facing sustained pressure from the industry to relent on his refusal to step in and prevent a potential housing crisis. ...

"Federal Housing Finance Agency Director Mark Calabria, a former chief economist to Vice President Mike Pence, says the servicers will only have to advance four months of missed payments on single-family loans to Fannie Mae and Freddie Mac."

A message from Global Strategy Group:

New research from Global Strategy Group reveals the opportunities and risks facing corporate leaders as they respond to COVID-19.

A majority of Americans expect the private sector to play a major role, and people trust corporate leadership more than the White House.

But CEOs need to buck the existing perception that they are too focused on their bottom line and not enough on their employees.

Americans trust corporations in this moment and corporations can and must deliver. Companies will be defined later by what they do now, and the reputational costs could be high.

[Download the full report today.](#)

## **MARKETS**

**WALL STREET TUMBLES** — Reuters' Noel Randewich: "Wall Street tumbled for a second straight day on Tuesday as a collapse in U.S. oil prices and glum forecasts by companies worsened fears of a deep economic downturn. All 11 S&P 500 sector indexes fell 1.6 percent or more, with energy sliding for the seventh time in eight sessions a day after the WTI contract CLc1 crashed below zero as oil traders ran out of storage for May deliveries."

**STOCKS FINALLY FEELING THE FEAR THAT'S HITTING OTHER MARKETS** — Bloomberg's Sam Potter, Justina Lee and Anchalee Worrachate: "In the pandemic economy, financial markets have flashed confusing economic signals, muddled by monetary support, the trading impulses of the fast money, and ever-more complex infection data. But this week the message is loud and clear: the recession is hitting hard."



“After a stimulus-driven rebound for the S&P 500 Index, the chaos in oil markets is proving too much for investors to ignore. Crude is now pricing in no less than total demand destruction, and U.S. stocks are slumping as the fallout intensifies from the prolonged economic lockdown.”

**MARKETS ARE WILD WHILE YOU'RE ASLEEP** — WSJ's Gunjan Banerji: “Trading in overnight stock futures has skyrocketed, adding to a nearly nonstop stretch of market activity and luring more investors to join in the action.

"Among the most-traded are E-mini S&P 500 futures contracts, whose overnight trading volumes have surged to a record this year, according to CME Group Inc. data through March. Daily average volumes have topped 500,000 contracts, more than double the number recorded in 2017. The overnight session begins at 6 p.m. ET on Sundays and weeknights and ends the following day at 9 a.m.”

**Sign up for POLITICO Nightly: Coronavirus Special Edition**, your daily update on how the illness is affecting politics, markets, public health and more.

## **FLY AROUND**

**GRIM ECONOMICS OF SHUTDOWN BALANCES DEATH AGAINST UNEMPLOYMENT** — Bloomberg's Craig Torres: “These are the grim economics of the Covid-19 pandemic: Younger workers start getting paid again if everyone goes back to work sooner, but older Americans are more likely to die from spreading infection, according to researchers at the Federal Reserve Banks of Kansas City and Minneapolis. The tradeoffs aren't easy.

“The researchers estimate that ending shutdowns in early April would have resulted in another 172,000 deaths over the course of the pandemic; that's about four times the approximately 43,000 people who have died in the U.S. so far. Meanwhile, the closures are likely to push U.S. unemployment above 30 percent in the second quarter, according to the Federal Reserve Bank of St. Louis.”

**WHITE HOUSE MULLS LIABILITY PROTECTION FOR REOPENING BUSINESSES** — Reuters: “The Trump administration is considering the possibility of providing liability protection to small businesses that reopen and put their employees back to work as the nation tries to repair the economic damage wrought by the coronavirus, a top White House adviser said on Tuesday.

“‘Liability protection is something we are looking at very carefully,’ National Economic Council Director Larry Kudlow told reporters at the White House. ‘We want small business to have some confidence that if they do reopen, they'll stay open. So that would be one of the key factors.’”

**SMALL BUSINESS ADMINISTRATION DECLINES LOAN DISCLOSURE** — WSJ's Rolfe Winkler Cezary Podkul: “The Small Business Administration rejected multiple requests on Monday for detailed information about borrowers in the new Paycheck Protection Program, saying it needed to prioritize its effort to assist businesses. That decision means that for now the public won't get a comprehensive look at the \$350 billion rescue package intended for Main Street, amid debate over which companies should be getting the money.”

**SMALL BUSINESS LOAN PROGRAM DISCRIMINATED AGAINST WOMEN, MINORITIES** — Reuters' Brendan Pierson: “The \$349 billion small business loan program passed last month as part of the federal coronavirus relief package discriminated against woman- and minority-owned businesses by prioritizing business with employees over those that do not, according to a lawsuit filed by two Maryland business owners. The lawsuit was brought by Glitz and Glam Jewelry by LJ, solely owned and operated by LeTresa Williams, and by Alvin Vaughn, sole owner and operator of a financial services business.”

**NEW FROM NASDAQ** — Per The Fly: “Nasdaq announced the launch of its Nasdaq Cloud Data Service, which provides clients access to real-time exchange data, index, and fund data through cloud-based technology.”

April 22, 2020

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Meanwhile, “speaking at the same press conference, Treasury Secretary Steven Mnuchin threatened ‘severe consequences’ for those who take money from the program without meeting the criteria and fail to return it.” Reuters (4/21, Holland, Alper), The New York (NY) Times (4/21, Hartocollis), USA Today (4/21, Fritze), Fox Business (4/21, Manfredi), The Hill (4/21, Chalfant), The Independent (UK) (4/21, Zoellner), and Newsweek (4/21, Martin) also report.

**AP Report: Big Corporations Got Hundreds Of Millions Of Dollars Intended For Small Businesses.** The AP (4/21, Dunklin, Pritchard, Myers, Fauria) reports that “companies with thousands of employees, past penalties from government investigations and risks of financial failure even before the coronavirus walloped the economy were among those receiving millions of dollars from a relief fund that Congress created to help small businesses through the crisis.” The AP says the Paycheck Protection Program was “supposed to infuse small businesses, which typically have less access to quick cash and credit, with \$349 billion in emergency loans. ... But at least 75 companies that received the aid were publicly traded, the AP found, and some had market values well over \$100 million.” The AP adds, “And 25% of the companies had warned investors months ago – while the economy was humming along – that their ability to remain viable was in question.” The AP notes Secretary Mnuchin “addressed the issue at Tuesday evening’s White House briefing, saying, ‘The intent of this money was not for big public companies that had access to capital.’”

**People With Criminal Records Complain About Coronavirus Aid Eligibility Rule.** The AP (4/21, Colvin) also reports some independent contractors and self-employed individuals who have criminal records are complaining that they are ineligible to receive coronavirus aid through the Paycheck Protection Program. On Tuesday, Treasury Secretary Steven Mnuchin “said the rule already reflected changes that had been made because of the White House’s work on criminal justice issues.” Alice Marie Johnson, a nonviolent drug offender who had her lifetime prison sentence commuted by President Trump, “said in an interview Monday...that she and others had succeeded in getting” the Administration to reduce the ineligibility time period from seven to five years. But Justice Action Network Executive Director Holly Harris blasted the ineligibility rule, saying, “When people can’t work, what do these geniuses who wrote this language think they’re going to do? They’re going to return to crime, return to” substance use disorder, or other problems that “they’ve done the hard work to get away from.”

### **Treasury Plans To Get COVID Relief Payments To Some Americans Using Prepaid Debit Cards. (HILL, POLITICO, FOXB, MRKWTWCH, MILTIMES, LAW360)**

The Hill (4/21, Jagoda) reports the Treasury Department “plans to get some people their coronavirus relief payments by sending them prepaid debit cards, in an effort to get people their payments faster, Treasury Secretary Steven Mnuchin said Tuesday.” Mnuchin, speaking at a White House press briefing, said Treasury is “going to be supplementing our capability and sending prepaid debit cards so we can get money out quickly to people.” Treasury “has said that payments have already been sent to more than 80



million Americans via direct deposit, and that paper checks started to be issued this week.” Mnuchin added, “We’re very pleased. The direct deposits have gone out. We’ve started sending out the checks.”

***House Dems Urge Treasury To Accommodate Recipients Of Social Security Over COVID Relief Deadline.*** The Hill (4/21, Jagoda) reports Reps. John Larson (D-CT) and Danny Davis (D-IL), in a Tuesday letter to Treasury Secretary Steven Mnuchin, “are urging the Treasury Department to provide an ‘additional accommodation’ for Social Security recipients who are unable to meet Wednesday’s deadline to provide information to the IRS in order to quickly receive coronavirus rebates for their dependent children.” Larson and Davis wrote, “Given the importance of these payments at this critical time, we urge Treasury to consider all available options for paying these beneficiaries additional amounts owed this year.” Larson and Davis “said they appreciated that Treasury wants to quickly make payments to Social Security and railroad retirement recipients but expressed concerns about the fact that the IRS announced the deadline less than 48 hours before it occurs.” Politico (4/21, Becker), Fox Business (4/21, Henney), MarketWatch (4/21, Keshner), and Military Times (4/21, Shane) also report.

***Wyden Presses Mnuchin On Decision To Add Trump’s Name To COVID-19 Relief Checks.*** The Hill (4/21, Jagoda) reports Sen. Ron Wyden (D-OR), the Senate Finance Committee’s ranking member, “on Tuesday pressed Treasury Secretary Steven Mnuchin about the decision to put President Trump’s name on the coronavirus relief checks, after Mnuchin said the move was his idea.” Wyden said, in a letter to Mnuchin, “To set the record straight, I request details about how you made this decision to benefit the president politically, which may delay delivery of critical funds to millions of Americans struggling to pay the rent and put food on the table.” Wyden “said in his letter that Mnuchin’s comments were ‘surprising’ to him because his staff had previously asked Treasury officials questions about signatures on the checks, and those officials didn’t answer them.” Wyden added, “If adding the signature was in fact your idea that information could have already been made available to Congress.” Law360 (4/21, Moroses) also reports.

### **Trump Tells Treasury, Energy Secretaries To Make Funding Available To US Oil Companies. (REU, HILL, CNBC, BLOOM, AXIOS, WP, FOXB, FT, MRKWTCH)**

Reuters (4/21, Ahmann, Heavey) reports that President Trump on Tuesday said he has asked his Cabinet “to devise a plan to inject cash into the ailing U.S. oil-drilling industry to help it survive a historic collapse in crude prices.” Reuters reports that Energy Secretary Brouillette has said he and Treasury Secretary Steven Mnuchin are working to “roughly double the size-limit on loans available to mid-tier U.S. energy companies under the recently passed CARES Act stimulus package to \$200 million-\$250 million.”

The Hill (4/21, Frazin) reports Trump said on Twitter, “We will never let the great U.S. Oil & Gas Industry down. I have instructed the Secretary of Energy and Secretary of the Treasury to formulate a plan which will make funds available so that these very important companies and jobs will be secured long into the future.” CNBC (4/21, Calia, Breuninger) reports on its website that the President “did not specify how much money would be made available, or which oil and gas companies would be eligible to receive it.”

Bloomberg (4/21, Natter, Dlouhy) reports that one potential way the Trump Administration could support the industry is for Secretary Mnuchin to “deem some of those companies as critical to national security, qualifying them for a share of \$17 billion authorized by Congress.”

Axios (4/21, Harder, Geman), The Washington (DC) Post (4/21, Englund), Fox Business (4/21, O’Halloran), The Financial Times (4/21, Sevastopulo, Politi, Fedor), and MarketWatch (4/21, Bartash) also report.

### **Treasury Has Used “More Than Half” Of COVID-19 Relief Fund For State, Local, Tribal Governments. (BLOOM)**



Bloomberg (4/21, Tanzi, Mohsin) reports the Treasury Department “has deployed more than half of the Coronavirus Relief Fund, which provides for payments to state, local, and tribal governments.” Treasury’s daily statement “notes that as of Monday, \$81.9 billion had been used this month. The \$150 billion fund was established to help lessen the economic impact of the Covid-19 outbreak.” Treasury Secretary Steven Mnuchin “has been rapidly deploying pieces of \$2.2 trillion in relief that President Donald Trump signed into law on March 27 to boost an economy reeling from the virus-induced shutdown.” Mnuchin “has also authorized the Federal Reserve to launch nine different lending facilities – of which four are fully operational – and disbursed some \$349 billion to small businesses.”

### **Administration Intends To Repeal Regulations That Could Hinder Small Business Recovery (WP, VOX)**

The Washington Post (4/21, Stein, Costa) reports that the Trump Administration is “planning to launch a sweeping effort in the coming days to repeal or suspend federal regulations affecting businesses, with the expected executive action seen by advisers as a way to boost an economy facing its worst shock in generations.” According to the Post, “The White House-driven initiative is expected to center on suspending federal regulations for small businesses and expanding an existing administration program that requires agencies to revoke two regulations for every new one they issue.” The Post adds, “While the plan remains in flux, changes could affect environmental policy, labor policy, workplace safety and health care, among other areas.” The Post reports that NEC Director Larry Kudlow is “working closely on the plan” with Treasury Secretary Steven Mnuchin. Vox (4/21, Burns) also reports.

### **POLITICO MORNING MONEY**

**How the U.S. is (still) failing on Covid-19** — I write at some length [here](#) with the help of several POLITICO colleagues about how even with the new \$483 billion relief bill, the U.S. has failed pretty miserably to fight Covid-19 itself and to do enough to shore up the cratering economy.

**A couple of highlights:** “The nation needs upwards of 30 million tests per week to properly track the virus, health experts say. The country is only testing around 1 million a week now. It could take a public health army of more than 100,000 to track and trace those carrying the virus. There are only a few thousand so far.

“It may take a trillion dollars just to keep small businesses alive, based on the current burn rate ... Congress, mostly stuck outside of Washington with no capacity to legislate remotely like it is stuck the 19th century, appeared to seal a deal \$484 billion deal Tuesday that would bring the total for small business up to around \$670 billion.”

**We are also suffering from a bitterly polarized political and media culture** — born at least two decades ago and jacked up on steroids during the Donald Trump era — that has left governors battling the president and citizens battling each other over how and when everyone should emerge from their bunkers”

**Money quote from historian Douglas Brinkley:** “The United States was once known for its can-do culture. We built the Panama Canal and we put a man on the moon ...

“And now we can’t get a swab or a face mask or a gown and we have no real chain of command. And we have two Americas, a Republican one and a Democratic one, and they won’t collaborate. We are not leading in the pandemic response, we are trailing other countries by a long shot. This is a crippling blow to America’s prestige around the world.”

**Trump’s trust gap** — The latest POLITICO/Morning Consult poll shows that only 38 percent say they have “a lot” or “some” trust in President Trump to make the right call on relaxing guidelines.

A total of 53 percent have “not much” trust in Trump, or none. More voters say they have “a lot” or “some” trust in Anthony Fauci (71 percent), the CDC (71 percent), their state's governor (60 percent) and Vice President Mike Pence (40 percent).

## **DRIVING THE DAY**

**SOME GOOD NEWS?** — Via Morning John Leer, economist for Morning Consult: “Since the coronavirus pandemic hit the United States, Morning Consult’s Index of Consumer Confidence has been on a roller coaster. It went from 115.70 on Feb. 10, the highest point recorded since Morning Consult began tracking consumer sentiment on Jan. 1, 2018, to an all-time low of 81.23 on April 7, marking a 29.8 percent drop. ...

“Since then, however, consumer sentiment appears to have stabilized. After a strong and persistent rebound in confidence in the seven days following the all-time low, the ICS hit 83.57 on April 15 and has remained in that range ever since.”

**McCONNELL SAYS NO MORE LONG-DISTANCE STIMULUS** — Our Burgess Everett: “Senate Majority Leader Mitch McConnell is drawing a line: There will be no more attempts at long-distance legislating on the coronavirus.

“In a telephone interview ... after passage of a \$484 billion coronavirus relief bill, the Senate majority leader made clear that the full Senate must be in session before Congress begins its fifth installment of responding to the pandemic. And he signaled he was growing weary of quickly shoveling billions of dollars out the door even as the economy continues to crater.”

**SECOND BIG INSTALLMENT GETS THROUGH SENATE** — Via Burgess and Heather Caygle: “After two weeks of stalemate and days of frenetic negotiations, the Senate approved a nearly \$500 billion coronavirus aid bill ... with the House set for passage later this week.

“The agreement centers around providing \$380 billion for small businesses and also includes \$75 billion for hospitals and \$25 billion for disease testing. It comes after a brutal conflict between party leaders over how to pass a massive bill with the Senate in recess. Full text of the bill.

## **CORONAVIRUS EFFECTS**

**ANOTHER KEY SBA LENDING PROGRAM JEOPARDIZED** — Our indefatigable Zachary Warmbrodt: “Confusion surrounding the \$350 billion small business loan program that ran out of funds last week is threatening to claim a new victim — a separate government lending vehicle that banks say will shut down soon if Congress doesn't act fast.

“Lenders are pleading with lawmakers to save the Small Business Administration's 7(a) program, which was the government's primary lending plan for small firms before Congress created the Paycheck Protection Program to fight layoffs during the pandemic through forgivable loans. The much smaller and more traditional 7(a) program allows lenders to make government-backed loans to businesses that might otherwise be unable to get credit”

**NEW CORPORATE DATA** — Via JUST Capital on the 100 largest U.S. employers’ actions in the wake of the COVID-19 and economic crises: 27% of companies have announced executive pay cuts, up from 6% on March 24. On average, executive pay has been reduced by about two-thirds (66%); 33% of companies have provided some type of financial assistance to their employees, up from 19% on March 24.

**HOW TO REOPEN** — Mohamed A. El-Erian on Bloomberg Opinion: “The U.S. is polarizing on when and how to reopen its economy. State governments are being pressured to make decisions with a less-than-comprehensive assessment of the trade-offs between public health and the economy, increasing the probability of a stop-go-stop pattern that, if we are incredibly lucky, could lead to a desirable outcome but also faces the considerable risk of ending up with the worst of both worlds.”



**TRUMKA WARNS TRUMP NOT TO GO TOO FAST** — Our Ian Kullgren: “AFL-CIO President Richard Trumka ... urged ... Trump not to prematurely reopen the U.S. economy, warning it could put millions of workers at risk. Speaking to reporters in a conference call, Trumka laid out a list of ‘demands’ that the administration must meet to restart businesses, including widespread testing for workers and a nationwide infectious disease standard from OSHA.”

**FHFA BENDS TO PRESSURE FOR RELIEF** — Our Katy O'Donnell and Victoria Guida: “A top government regulator ... offered cash-strapped mortgage companies a break after facing sustained pressure from the industry to relent on his refusal to step in and prevent a potential housing crisis. ...

“Federal Housing Finance Agency Director Mark Calabria, a former chief economist to Vice President Mike Pence, says the servicers will only have to advance four months of missed payments on single-family loans to Fannie Mae and Freddie Mac.”

A message from Global Strategy Group:

New research from Global Strategy Group reveals the opportunities and risks facing corporate leaders as they respond to COVID-19.

A majority of Americans expect the private sector to play a major role, and people trust corporate leadership more than the White House.

But CEOs need to buck the existing perception that they are too focused on their bottom line and not enough on their employees.

Americans trust corporations in this moment and corporations can and must deliver. Companies will be defined later by what they do now, and the reputational costs could be high.

[Download the full report today.](#)

## **MARKETS**

**WALL STREET TUMBLES** — Reuters’ Noel Randewich: “Wall Street tumbled for a second straight day on Tuesday as a collapse in U.S. oil prices and glum forecasts by companies worsened fears of a deep economic downturn. All 11 S&P 500 sector indexes fell 1.6 percent or more, with energy sliding for the seventh time in eight sessions a day after the WTI contract CLc1 crashed below zero as oil traders ran out of storage for May deliveries.”

**STOCKS FINALLY FEELING THE FEAR THAT’S HITTING OTHER MARKETS** — Bloomberg’s Sam Potter, Justina Lee and Anchalee Worrachate: “In the pandemic economy, financial markets have flashed confusing economic signals, muddled by monetary support, the trading impulses of the fast money, and ever-more complex infection data. But this week the message is loud and clear: the recession is hitting hard.

“After a stimulus-driven rebound for the S&P 500 Index, the chaos in oil markets is proving too much for investors to ignore. Crude is now pricing in no less than total demand destruction, and U.S. stocks are slumping as the fallout intensifies from the prolonged economic lockdown.”

**MARKETS ARE WILD WHILE YOU’RE ASLEEP** — WSJ’s Gunjan Banerji: “Trading in overnight stock futures has skyrocketed, adding to a nearly nonstop stretch of market activity and luring more investors to join in the action.

“Among the most-traded are E-mini S&P 500 futures contracts, whose overnight trading volumes have surged to a record this year, according to CME Group Inc. data through March. Daily average volumes have topped 500,000 contracts, more than double the number recorded in 2017. The overnight session begins at 6 p.m. ET on Sundays and weeknights and ends the following day at 9 a.m.”

**Sign up for POLITICO Nightly: Coronavirus Special Edition**, your daily update on how the illness is affecting politics, markets, public health and more.

## **FLY AROUND**

### **GRIM ECONOMICS OF SHUTDOWN BALANCES DEATH AGAINST UNEMPLOYMENT** —

Bloomberg's Craig Torres: "These are the grim economics of the Covid-19 pandemic: Younger workers start getting paid again if everyone goes back to work sooner, but older Americans are more likely to die from spreading infection, according to researchers at the Federal Reserve Banks of Kansas City and Minneapolis. The tradeoffs aren't easy.

"The researchers estimate that ending shutdowns in early April would have resulted in another 172,000 deaths over the course of the pandemic; that's about four times the approximately 43,000 people who have died in the U.S. so far. Meanwhile, the closures are likely to push U.S. unemployment above 30 percent in the second quarter, according to the Federal Reserve Bank of St. Louis."

### **WHITE HOUSE MULLS LIABILITY PROTECTION FOR REOPENING BUSINESSES** —

Reuters: "The Trump administration is considering the possibility of providing liability protection to small businesses that reopen and put their employees back to work as the nation tries to repair the economic damage wrought by the coronavirus, a top White House adviser said on Tuesday.

"'Liability protection is something we are looking at very carefully,' National Economic Council Director Larry Kudlow told reporters at the White House. 'We want small business to have some confidence that if they do reopen, they'll stay open. So that would be one of the key factors.'"

### **SMALL BUSINESS ADMINISTRATION DECLINES LOAN DISCLOSURE** — WSJ's Rolfe

Winkler Cezary Podkul: "The Small Business Administration rejected multiple requests on Monday for detailed information about borrowers in the new Paycheck Protection Program, saying it needed to prioritize its effort to assist businesses. That decision means that for now the public won't get a comprehensive look at the \$350 billion rescue package intended for Main Street, amid debate over which companies should be getting the money."

### **SMALL BUSINESS LOAN PROGRAM DISCRIMINATED AGAINST WOMEN,**

**MINORITIES** — Reuters' Brendan Pierson: "The \$349 billion small business loan program passed last month as part of the federal coronavirus relief package discriminated against woman- and minority-owned businesses by prioritizing business with employees over those that do not, according to a lawsuit filed by two Maryland business owners. The lawsuit was brought by Glitz and Glam Jewelry by LJ, solely owned and operated by LeTresa Williams, and by Alvin Vaughn, sole owner and operator of a financial services business."

**NEW FROM NASDAQ** — Per The Fly: "Nasdaq announced the launch of its Nasdaq Cloud Data Service, which provides clients access to real-time exchange data, index, and fund data through cloud-based technology."



**From:** Crowley, Monica  
**Sent:** Mon, 30 Mar 2020 12:00:11 -0400  
**To:** Callanan, Brian;Crowley, Monica;(b)(6);Eisner, David;Faulkender, Michael;Kowalski, Daniel;Kranbuhl, Kipp;(b)(6);(b)(6);McIntosh, Brent;Muzinich, Justin;Myers, Baylor;Wolfteich, Paul  
**Subject:** Latest STM messaging  
**Attachments:** COVID19 Economic Messaging - STM to Date.docx

For awareness

## **COVID19 Economic Response Messaging: STM to Date**

### **Key Words/Phrases**

- Small business retention loans
- Direct relief for American workers and businesses
- Enhanced unemployment insurance
- Economic impact payments
- Financial assistance for air carrier workers (*vs. grants*)
- Protect American workers and businesses
- This is a war and America will win it

### **Topline Points (3/30)**

*(From Fox Business, CBS, Fox Business, Fox News, CNBC, WH briefing, Hill briefing, CNBC, Fox Business, Fox News Sunday, WH briefing)*

- The economic hit American workers and businesses are feeling from the coronavirus is not their fault.
- To protect the health and safety of the American people we have had to shut down large parts of the economy. This is an unprecedented situation, but we had a very healthy economy before, and we will have a very healthy economy again.

- This Administration is taking decisive action to provide rapid relief to American workers and business – particularly small and medium size businesses – and critical industries most impacted by the coronavirus.
- We applaud Congress’s much-needed action to protect and provide relief for American workers and business. They need relief now and we are working to provide it as quickly as possible.

## **CARES ACT**

- This is about supporting the American people and moving fast to provide relief.
- The majority of the CARES Act is about small businesses and American workers, and we made sure the gig economy and sole proprietorships were included in the definition of small businesses.
- We have included measures to help small businesses meet payroll and cover overhead, to provide tax incentives for larger businesses to keep employees on the payroll, and enhanced unemployment insurance to protect workers who are laid-off.
- The President wants to make sure all American workers are protected. They did nothing wrong.
- This is an unprecedented situation, where for medical reasons, for a period of time businesses are shut down and hardworking Americans can’t do their jobs.

The 2 trillion-dollar CARES Act includes:



- *Small Business Retention Loans*: \$350 billion to American small businesses that need to hire back workers or keep employees on payroll.
  - This will provide small businesses with two months of cash flow they need to pay workers and cover overhead. Any portion of the loans used to keep workers on the payroll will be forgiven.
  - This will cover nearly 50 percent of the small business private payroll.
  - It will be a very simple process where small business owners can go to any of the existing SBA lenders or any FDIC insured institution, credit union, or FinTech lender that has signed up for this program.
  - These loans will be available starting Friday, April 3. We expect these loans can be made and dispersed in the same day.
- *Direct Deposits*: The economic hit American workers and businesses are feeling from the coronavirus is not their fault.
  - We are offering \$500 billion to provide immediate relief to Americans through direct payments of \$1,200 per adult and \$500 per child.
  - These will be made through direct payments into bank deposit accounts or distributed through checks in the mail within three weeks.
- *Enhanced Unemployment Insurance*: American workers laid off due to the virus will receive enhanced unemployment insurance to bridge the gap until America is back to work. This will be administered through the states.
- *Liquidity Support*: We are taking steps to ensure adequate liquidity for distressed industries that are critical for our national or economic security. This legislation increases Treasury's exchange stabilization fund to \$500 billion for broad-based lending programs that we can leverage with the Federal Reserve to provide over \$4 trillion of liquidity.

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- Increased Hospital Funding: We are increasing hospital funding by more than \$100 billion to better equip America's heroic nurses, doctors and public health workers with the resources they need.

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- State Impact: Offers states with specific coronavirus expenses up to \$150 billion in coverage.

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- Pandemic Relief for Air Carrier Workers: Providing up to \$33 billion of financial assistance for employee wages, salaries, and benefits for air carrier workers and contractors.

- This will be managed and facilitated with full transparency for the American taxpayer. These mechanisms include: new special inspector general; Congressional Oversight Commission; public reporting on direct loans and 13(3); and prohibition on conflicts of interest.

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- This is not a bailout. We are providing relief to American workers and helping companies keep workers employed while business are shut down for a finite period through no fault of their own. This is not because of bad business or bad loans.

- We are working closely with the Federal Reserve and taking decisive action to provide liquidity and relief to American workers and businesses.

- We expanded the commercial paper funding facility and money market mutual fund liquidity facility to support the flow of credit to municipalities and immediately enhance liquidity.



- We established three new programs (TALF, PMCCF, SMCCF) that, taken together, will provide up to \$300 billion in new financing to help American consumers and businesses impacted by the coronavirus.
- We moved taxed day to July 15 to give taxpayers and businesses additional time to file and make payments without interest or penalties.
  - We encourage all taxpayers who may have tax refunds to file now to have these funds as quickly as possible.
- This Administration, under President Trump's leadership, is committed to ensuring that American workers and businesses have the resources they need to get through this challenging period. America will defeat this virus and overcome this challenge.
- We will use every tool at our disposal to support the U.S. economy and American workers and families. If in the coming weeks and months the American people need more or alternative relief, we will work with Congress to take appropriate action.

### **Supporting Points**

- Secretary Mnuchin authorized the expansion of two recently launched facilities and the establishment of three new facilities to provide liquidity pursuant to section 13(3) of the Federal Reserve Act.
- Expanded the Money Market Mutual Fund Liquidity Facility (MMLF): to include a wider range of securities, including municipal variable rate demand notes and bank certificates of deposit.

- Expanded the Commercial Paper Funding Facility (CPFF): to include high-quality, tax-exempt commercial paper and its pricing was reduced.
- Established the Term Asset-Backed Securities Loan Facility (TALF): to enable the issuance of asset-backed securities backed by student loans, auto loans, credit card loans, loans guaranteed by the SBA, and certain other assets.
- Established the Primary Market Corporate Credit Facility (PMCCF): to help companies access to credit so that they are better able to maintain business operations and capacity during the period of dislocations related to the pandemic.
- Established the Secondary Market Corporate Credit Facility (SMCCF): under which the Federal Reserve Bank of New York will purchase in the secondary market bonds issued by U.S. companies with investment-grade debt ratings.
- We applaud Fannie Mae, Freddie Mac, and HUD's decision to suspend all foreclosures and evictions. The expectation is banks will follow suit.
- We will see pick up in Q3 and a booming Q4. We have great faith in our medical professionals to kill this virus, and there will be pent-up demand once people are back to work.

### **If Asked**

*[On Airlines (3/27)]*: I want to be clear. There are no bailouts. The U.S. airline industry is strategically important and we are negotiating specific provisions related to airlines to ensure domestic air travel remains available. Domestic air travel is very important to Americans, and we need to ensure it remains viable when the economy opens back up. We are not requiring equity stakes.

*[On fourth bill (3/30)]* We are operationalizing our current these programs and as things develop, we will determine if we need to work with Congress to secure more



enhancements or additional funds. If there is a fourth bill, we would consider hazardous pay for first responders, nurses, and doctors.

[On oil (3/19)]: We recommending filling up U.S. crude oil reserves for the next ten years so that we are energy independent.

[On tariffs (3/19)]: Tariffs have been waived on medical supplies and critical goods that are made in China.

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## **APPENDIX**

### **Additional White House Points (CARES Act Fact Sheet 3/27 3PM)**

#### **PRESIDENT DONALD J. TRUMP IS PROVIDING ECONOMIC RELIEF TO AMERICAN WORKERS, FAMILIES, AND BUSINESSES IMPACTED BY THE CORONAVIRUS**

*“The legislation developed in the Senate is the first step to restoring confidence and stability to America's economy.” – President Donald J. Trump*

**SECURING EMERGENCY RELIEF:** President Donald J. Trump is signing bipartisan legislation to provide relief to American families and workers during the coronavirus outbreak.

- The President worked with Congress to secure bipartisan legislation that will provide emergency relief to families and small businesses that have been impacted by the coronavirus.
  - This unprecedented relief package totals more than \$2 trillion.
- The CARES Act provides much needed economic relief for American families and businesses who are hurting through no fault of their own.
- This legislation will provide assistance to America’s heroic healthcare workers who are on the frontlines of this outbreak.
  - \$100 billion will go to healthcare providers, including hospitals on the front lines of the COVID-19 pandemic.
  - \$27 billion will go to bolstering life-saving capabilities, including developing vaccines and the development, purchase, and distribution of critical supplies.
  - \$45 billion will go to the Federal Emergency Management Agency Disaster Relief Fund, more than doubling the amount available to support the President’s Emergency and Disaster Declarations.

**SUPPORTING FAMILIES:** This legislative package brings security to American families by providing them with economic assistance during this time of crisis.

- This legislation provides tax free payments—treated as a refundable tax credit—to Americans, giving families the immediate financial support they need.
  - Couples earning up to \$150,000 will receive \$2,400, plus an additional \$500 for each child.
  - Individuals earning up to \$75,000 will receive \$1,200, plus an additional \$500 for each child.
  - These payments will phase out for those earning over \$75,000, \$112,500 for head of household filers, and \$150,000 for married couples filing joint tax returns.
- The legislation provides much needed assistance to Americans out of work.
  - The CARES Act allows States to temporarily increase unemployment benefits and receive Federal reimbursement for the additional amount.
  - Encourages states to waive the typical one week waiting period and provides an additional 13 weeks of benefits
  - Creates a new program to assist the self-employed and independent contractors who are unemployed due to the pandemic.
- The legislation provides relief for homeowners and renters, ensuring that Americans' homes are not threatened by the coronavirus.
  - Enables payment forbearance for federally backed mortgages, requires a foreclosure and eviction moratorium for homeowners with such mortgages, and imposes an eviction moratorium for renters in federally supported housing.
- Suspends penalties for withdrawing up to \$100,000 from retirement accounts.
- Allows a high-deductible health plan with a health savings account to cover telehealth services prior to a patient reaching the deductible.
- The legislation provides \$3.5 billion in emergency funding to our child care providers to stay open, keep payroll, and prioritize the child care needs of healthcare, emergency, and sanitation workers all across our country.

**BOLSTERING THE ECONOMY:** This legislation will strengthen our economy by providing needed financial assistance to America's small businesses and workers.

- Small businesses that have been hurt by coronavirus will receive the help they need to survive and prosper.
- This legislation provides small businesses and nonprofits comprised of 500 or fewer employees with almost \$350 billion in partially forgivable loans.
  - The maximum loan amount for 7(a) business loans will temporarily be increased to \$10 million.
  - This legislation also provides \$17 billion to forgive 6 months of payments on any existing Small Business Administration non-disaster loans.



- The CARES Act provides critical payroll tax relief for small businesses.
- The legislation expands the emergency disaster loan program by funding \$10 billion in grants to rapidly help small businesses cover expenses including sick leave, payroll, and rent.
- Businesses adversely affected by the coronavirus are eligible for a tax credit of \$5,000 for wages paid to each employee.
- The CARES Act includes \$500 billion for the Treasury and Federal Reserve to provide liquidity and purchase business, municipal, and state debt.
  - If needed, the Federal Reserve can leverage funds of more than \$4 trillion in financial support during this time of disaster.

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of the Freedom of Information and Privacy Act



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UNDER SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

March 12, 2020

**INFORMATION MEMO FOR SECRETARY MNUCHIN**

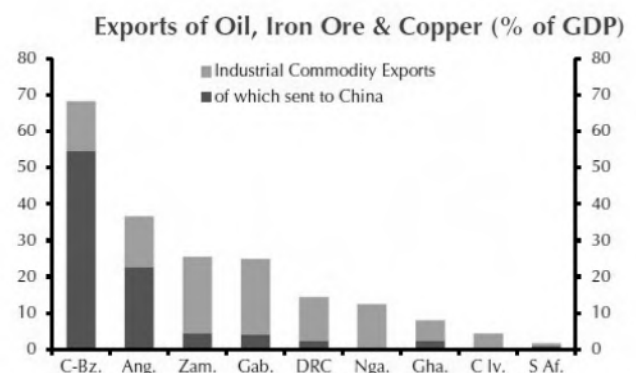
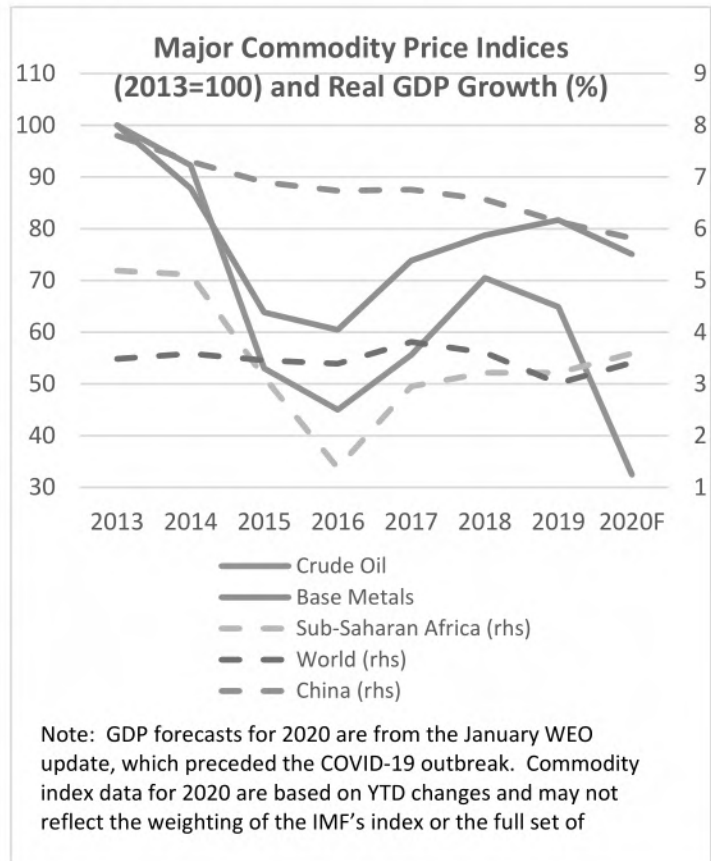
**FROM:** Brent McIntosh, Under Secretary for International Affairs

**SUBJECT:** Potential Economic Fallout of Coronavirus in Sub-Saharan Africa

While sub-Saharan Africa has registered extremely few cases of the coronavirus (COVID-19)—which may be due to a lack of testing capabilities in weak health systems—COVID-19 will have a significant impact on the region's economy, even if infections remain low. The primary risk is the impact of slower global growth – and Chinese growth and demand, in particular – on African commodity exports. Additional negative impacts from disruptions to emerging market capital flows, reduced Chinese FDI in Africa, delays to ongoing Chinese-led projects, and potential declines in tourism could further impact these economies. Depending on the magnitude of the balance of payments and/or fiscal impacts, African economies with depleted buffers are likely to seek new or enhanced support from the international financial institutions.

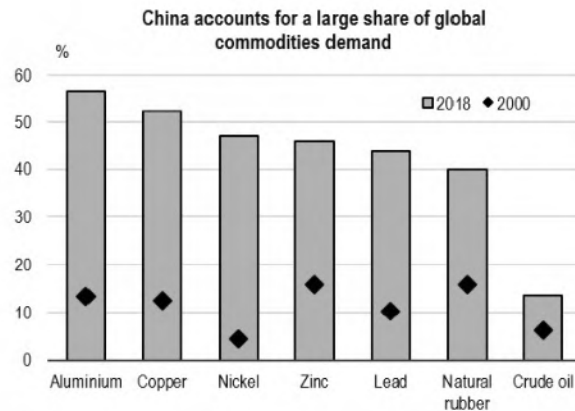
***Chinese Demand Fall to Hit Africa Hard***

Africa remains very dependent on raw commodity exports. These tend to be highly concentrated – e.g., an almost complete dependency on oil exports in the Republic of Congo, Angola, and Nigeria – with relatively little value addition. China represents around one-sixth of African exports, equivalent to around four percent of GDP. The first figure shows the commodity export dependency,





including sales to China, of a select group of African economies for three critical commodities; the second figure demonstrates the magnitude of Chinese demand across a larger set of commodities. A slowdown in Chinese growth, such as the IMF's forecast of at least a 0.6 percentage point drop this year, will have a broad impact on African growth. Looking back at recent history, the 2014 commodity crunch, which followed a 0.5 percentage point decline in Chinese growth, contributed to a decline in Africa's real GDP growth rate by over 3 percentage points between 2014 and 2016. African GDP growth has not yet recovered to the 2014 peak, and African governments have largely exhausted their fiscal buffers. The following are a few key country examples.



*Nigeria:* Nigeria's economic growth (2.3% in 2019) has seen only a slight recovery since its recession in 2016 and remains below the population growth rate. It is the continent's largest oil producer, and oil accounts for more than 90% of foreign exchange revenue and 50% of fiscal revenue. The 2020 federal budget assumed a \$57/barrel oil price and a daily production volume of 2.1 million barrels. Monthly production has not hit that target since 2013. Failing to reach these assumptions would likely increase the current account and fiscal deficits, and the finance minister signaled that the government would reassess the budget if oil price trends continued. As a point of comparison, when oil prices fell by half (to \$54) in 2015, GDP growth was similarly halved, and a recession began when oil prices fell in 2016 to \$45.

*South Africa:* South Africa suffers from persistently low growth; real GDP growth for 2019 is estimated at 0.2%. South Africa's growth outlook is subject to significant downside risk due to trade vulnerabilities with China, South Africa's largest trading partner (imports and exports). South Africa's exports to China consist mainly of low value-added commodities, including coal, iron ore, and copper, while imports are mainly high value-added products. A World Bank study estimated that a one percentage point decrease in China's growth would result in a 0.37 percentage point decline in South Africa's GDP over two years. South Africa may also experience negative economic impacts from COVID-19 due to reduced tourism, which contributed directly 2.8 percent of GDP in 2018 and indirectly accounted for 8.2% of GDP.

*Angola:* Angola is sub-Saharan Africa's second largest oil producer after Nigeria. Oil revenues have represented an average of 97% of exports and 69% of government revenue over the past ten years. In addition, Chinese buyers account for around 60% of Angola's oil exports. Angola's lack of a diversified economy and weak oil sector performance in recent years due to declining oil production has created a drag on growth. The IMF forecasts GDP growth of 1.2% in 2020, with gross public debt reaching 102% of GDP. Angola's three-year, \$3.8 billion Fund program is premised on a reference oil price of \$55/barrel to stabilize public finances. Lower oil prices

and reduced demand from China, coupled with already low oil production, could derail Angola's fiscal consolidation objectives. They could also put pressure on the current account and foreign exchange reserves and put the country's tepid growth outlook at risk. Angola has reportedly already diverted some China-bound oil cargoes because of lack of demand.

*Other:* China accounts for around 60% of Eritrea's exports, which are mostly zinc and copper ore, and 45% of DRC's exports, mostly in the form of cobalt. Chinese copper buyers have also recently declared force majeure over coronavirus and asked miners in Nigeria and Somalia to delay or cancel shipments. In Zambia, where copper accounts for 60% of total exports, a further decline in global copper prices would exacerbate the country's extreme fiscal challenges and further weaken growth.

### ***Additional Downside Risks for Africa***

A number of factors could further negatively impact African economies. This includes a reversal in capital flows to emerging markets. We already have \$850 million in net outflows from South African equity markets in February, which is consistent with preliminary data showing large net outflows from emerging market equities last month. The slowdown in China's economy and travel disruptions could affect the size or timing of Chinese investments in the region. The top five countries, in terms of stock of Chinese FDI as a percent of GDP, are Seychelles, Zambia, Eritrea, Mozambique, and the DRC. In addition, travel restrictions on Chinese workers could directly affect the financial performance of investments. In 2017, there were around 200,000 Chinese workers in Africa. While small compared to the continent's population of 1.2 billion, this includes key personnel for construction and other projects. Finally, if COVID-19 reduces global tourism, this could have a significant impact on several African destinations. According to a 2013 World Bank report, tourism contributed more than eight percent of GDP in Tanzania, Namibia, and Zimbabwe. Other important tourism destinations include Ethiopia, Botswana, Kenya, Madagascar, and South Africa.



**Information Memorandum Clearance Sheet**

Subject: Potential Economic Fallout of Coronavirus in Sub-Saharan Africa

Drafted: IA – (b)(6) African Nations, phone, (b)(6)

Approved: IA – Brent McIntosh, Under Secretary (3/11/20)

Cleared: IA – E. Meyer (3/10/20)

IA – J. Klein (3/10/20)

Exec Sec – (b)(6) (3/12/20)

Exec Sec – Andrew Eilts (3/xx/20)

## INFORMATION MEMORANDUM FOR SECRETARY MNUCHIN

**FROM:** Brent McIntosh, Under Secretary for International Affairs

**SUBJECT:** Multilateral Development Bank (MDB) Tools for Coronavirus Response

### BACKGROUND

The MDBs have played an important role in responding to previous disease outbreaks around the world, including the Ebola outbreak in 2014 and the Severe Acute Respiratory Syndrome (SARS) epidemic in 2003. The MDBs are able to mobilize financial resources quickly, can play a convening role among partners, usually have staff present in affected countries, and the World Bank, in particular, has substantial expertise in health. In its FY 2019, the World Bank approved \$3.4 billion for health projects (7.6% of total approvals) from its own balance sheets, in addition to mobilizing significant health financing from other donor funds.

This memo describes the tools that the MDBs have available to support countries' responses to the coronavirus disease (Covid-19) outbreak, both in terms of the health response and assistance managing the macroeconomic impacts of the outbreak. Depending on the countries affected, the scope of the outbreak, and the tools used, assistance packages could range from tens of millions of dollars to over \$1 billion. However, these tools are largely focused on country-level responses, and it may be more challenging to organize a comprehensive package for a global response. U.S. support for these assistance packages will depend on the countries they are intended to support, as there may be legislative mandates that guide the votes of the U.S. Executive Directors.

As of March 1, there has been limited demand on these tools, since there have been few deaths in MDB borrowing countries other than China. We expect demand will increase as the outbreak spreads and countries begin experiencing greater economic impacts. Consequently, on March 3, **World Bank President Malpass announced that the World Bank Group will make up to \$12 billion in financing available through a "Covid-19 Fast Track Facility."**

### *World Bank*

The World Bank has the broadest set of tools and expertise to assist countries in responding to Covid-19. The \$12 billion Covid-19 Fast Track Facility will draw on the tools described below, with individual components and specific financing proposals coming to the Board for formal approval, as appropriate. **The total consists of up to \$2.7 billion in new financing for middle-income countries from the International Bank for Reconstruction and Development (IBRD), \$1.3 billion in new financing for the poorest countries from the International Development Association (IDA), \$4 billion in new private sector investments by the International Finance Corporation (IFC), \$2 billion in reprioritized financing from existing health**

| Priority Countries for World Bank Covid-19 Fast Track Facility |                                                                        |
|----------------------------------------------------------------|------------------------------------------------------------------------|
| East Asia & Pacific:                                           | China, Cambodia, Laos, Burma, Philippines, Pacific Islands             |
| South Asia:                                                    | Afghanistan, Pakistan                                                  |
| Africa:                                                        | Ethiopia, Kenya, DR Congo, Zambia, Cameroon, Cote d'Ivoire, Madagascar |
| Middle East & North Africa:                                    | Djibouti, Iraq, Jordan                                                 |
| Europe & Central Asia:                                         | Tajikistan                                                             |
| Latin America & Caribbean:                                     | Honduras                                                               |



**projects, and \$2 billion from IFC's existing trade finance facilities, along with technical assistance and other knowledge products.** While all borrowing countries will be eligible to tap this financing, the table shows those countries the World Bank expects to prioritize.<sup>1</sup>

In addition to the tools below, the World Bank is the trustee for several health-focused financial intermediary funds (e.g., Global Alliance for Vaccines and Immunizations Advanced Market Commitment Fund, Coalition for Epidemic Preparedness Innovations, International Finance Facility for Immunization) that could assist with the global health response.

***New Emergency Investment Operations for Health Response.*** Both the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) can approve new investment loans or grants to respond to an outbreak through a vast range of activities, including constructing health facilities, training and mobilizing health personnel, provision of medical equipment, deploying vaccines, public awareness campaigns, or supplying clean water and sanitation. The World Bank can prepare these operations on a fast-track basis, and they can include up to 40 percent of retroactive financing for emergency response. Emergency operations can be prepared in approximately three months but have been done in a matter of weeks in cases such as the Ebola outbreak. There are also options for streamlining project procurement to speed implementation. These operations count against a country's IBRD or IDA envelope. They are typically provided on the same terms as the country receives its normal World Bank assistance, but the Board has the possibility of waiving the 25 basis points commitment fee on emergency IBRD loans.

***Contingent Emergency Response Components (CERCs).*** Many IBRD- and IDA-financed projects already have a CERC, which allows funds to be redirected from other parts of the project to cover emergency response needs. These funds can be used to finance aspects of the response to Covid-19 that also have a longer-term development benefit, including for example, the purchase of medical supplies; the hiring, training, and transport of medical personnel; and medical waste management. If a country's portfolio does not have projects that already contain CERCs, it is possible to add them. Using the CERC itself does not reduce the country's IBRD or IDA envelope, but if additional financing is approved for the project later to fund the elements from which funding was diverted, those amounts would count. World Bank staff are currently analyzing the universe of CERCs that could support Covid-19 response. Approximately 40 IDA countries, including Cambodia, Laos, and Burma, and 15 IBRD countries have active health projects with a CERC.

***Restructuring Existing Health Projects.*** For existing health sector projects without a CERC, it may be possible to reprogram undisbursed amounts to support response to Covid-19 if it is consistent with the overall project objectives. Between drawing down CERCs on existing health projects and restructuring other health projects, the World Bank will be able to provide up to \$2 billion as part of the initial Covid-19 Fast Track Facility package.

***Development Policy Operations with Catastrophe Deferred Drawdown Option (Cat-DDOs).*** The Cat-DDO is a contingent financing line that provides immediate liquidity to countries to

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<sup>1</sup> While China is included on the list, the World Bank has already indicated it will not provide new lending, so support there will focus on advisory work, reprogramming existing funding, and possibly private sector investments.



address shocks related to natural disasters and/or health-related events. The Cat-DDO is approved prior to the disaster as part of an IBRD or IDA development policy operation (i.e., budget support loan or grant) and disburses quickly once the event occurs and the drawdown trigger is met. Nine IBRD countries and eight IDA countries have an active Cat-DDO, of which six clearly cover health-related emergencies, but World Bank staff are analyzing whether other Cat-DDOs could be triggered to address Covid-19. Fifteen countries, including Laos, Burma, Bhutan, and Nepal have Cat-DDO operations in their current project pipeline.

***New Emergency Development Policy Operations.*** As with investment operations, both IBRD and IDA could approve new budget support operations to help countries address the fiscal, balance of payments, and other macroeconomic impacts of Covid-19. Depending on the circumstances, policy reforms required as part of the program could focus on strengthening health security and preparedness or on other fiscal or structural reforms. We would expect countries receiving emergency budget support to have in place an appropriate macroeconomic policy framework. These operations count against a country's IBRD or IDA envelope.

***IDA Crisis Response Window (CRW).*** IDA-eligible countries have access to the CRW in the event of a health emergency. It is to be used as a last resort, though beginning July 1, the CRW can be tapped to counter disease outbreaks at an earlier stage. The CRW would be triggered only when: (i) a country affected by a public health emergency or epidemic has declared a national public health emergency; and (ii) the World Health Organization has declared that the outbreak is of potential international importance. The World Bank Board approves CRW funding through a two-stage process, with Management first presenting an initial impact assessment on the outbreak, confirmation the triggers have been met, and information on other financing. The second stage involves updated assessments and a determination of a final amount to be allocated to the country from the CRW. CRW resources are generally provided on the same terms as a country receives its IDA allocation but may be provided as all grants in exceptional cases. The CRW currently has \$443 million available but will be replenished with \$2.5 billion when the IDA-19 replenishment takes effect on July 1. (Some of the available CRW funding may be allocated to respond to other crises, such as the locust invasion in East Africa.) Management may shift some unallocated IDA funds into the CRW to support new assistance under the Covid-19 Fast-Track Facility before July 1.

***Pandemic Emergency Financing Facility (PEF).*** The PEF is a financial intermediary fund housed at the World Bank, but the World Bank has contributed to it. It provides additional financing to IDA-eligible countries to respond to outbreaks through an insurance window and a cash window. The insurance window can rapidly provide payouts on the insurance that has been purchased for all IDA countries if certain parametric triggers<sup>2</sup> related to the outbreak are met. If those triggers are met for Covid-19, the insurance window would mobilize \$56.25 million for the first payout, with total potential payout as much as \$195.83 million. The cash window, which donors fund, can pay out rapidly to countries to assist with response to the outbreak based on expert advice whether certain epidemiological thresholds for the type of pathogen have been met and approval from the PEF's Steering Committee. The cash window currently has a balance less

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<sup>2</sup> These triggers include: the outbreak has lasted at least 12 weeks, at least 20 confirmed deaths in each of at least two World Bank borrowing countries, at least 250 total confirmed deaths, at least 250 confirmed cases, and a growth rate in infection greater than zero.



than \$15 million, limiting the ability to provide meaningful support without a top-up from donors. Germany, Japan, and Australia are the donors to the PEF.

**IFC Facilities.** As part of the Covid-19 Fast Track Facility, the IFC will draw up to \$2 billion from its existing trade finance facilities to support critical goods, equipment, and supplies in emerging markets. Additionally, IFC plans to seek Board approval for (i) a Global Working Capital Liquidity Facility of up to \$2 billion to provide new liquidity lines to emerging market financial institutions, and (ii) a Real Sector Crisis Response Facility of up to \$2 billion for private clients working at the immediate interface of Covid-19, such as health equipment suppliers or pharmaceutical distributors.

### ***Asian Development Bank (AsDB)***

The AsDB has many similar tools as the World Bank to assist countries with their responses, particularly the ability to provide new emergency investment or budget support assistance, reprogramming assistance in existing health projects, finance for private sector health companies, and technical assistance. For example:

- AsDB approved a technical assistance grant of \$2 million provided to China and the Greater Mekong Subregion and another \$2 million technical assistance grant for all borrowing countries (with an emphasis on those bordering China) to assist with procurement for responding to the outbreak.
- AsDB approved a short-term loan facility of \$18.6 million for Jointown Pharmaceutical Group (a private Chinese pharmaceutical distributor in Wuhan) to distribute drugs and equipment to hospitals and other health facilities. AsDB President Asakawa approved this non-sovereign operation under an existing delegated authority framework.
- Mongolia is using \$1.4 million in savings from an existing Health Sector Development Project to purchase essential medical equipment.
- The Greater Mekong Subregion Health Security Project has a \$125 million emergency fund that could be reprogrammed to address an outbreak in Cambodia, Laos, Burma, and Vietnam.
- AsDB could consider reallocating unused resources in existing health projects in Sri Lanka, Bhutan, and Bangladesh, if needed.

**Disaster Response Facility (DRF).** As part of the Asian Development Fund-12 (AsDF-12) replenishment, concessional assistance-eligible countries can receive up to the lesser of \$100 million or 100% of their country allocation to respond to disasters. The DRF has around \$209 million in grants available for grant-eligible countries (although AsDF donors have signaled a desire to roll all but \$100 million of the available grants into the next replenishment to reduce the overall level of donor contributions), and up to 5% of the total concessional lending envelope is available for disaster response. Currently, the facility can only be used for natural disasters, but the Board and AsDF donors could approve exceptional use to respond to a health emergency. (Beginning with the AsDF-13 replenishment that will be effective from January 1, 2021, health emergencies will become qualifying DRF events, with 8% of the eventual AsDF-13 grant pool set-aside for the DRF.)

***Regional Health Security Set-Aside.*** As part of the AsDF-12 replenishment, Japan funded a grant set-aside to incentivize countries to invest in health security and preparedness. The set-aside provides grants to cover two-thirds of the AsDB investment in health security projects in countries only eligible for grants and/or concessional loans, with one-third coming from the country's allocation. For countries eligible for a blend of non-concessional and concessional assistance, the set-aside provides grants for one-quarter of the investment. The \$53 million in grants available during AsDF-12 have been fully committed for \$196 million in health security investments in Bhutan, Samoa, Sri Lanka, Tonga, Tuvalu, Vanuatu, and Vietnam. Beginning in AsDF-13, additional grant funding will be available for investments in health security.

### ***Other MDBs***

The other MDBs have somewhat more limited toolkits to assist countries in responding to Covid-19. They are also able to provide new emergency funding from country envelopes, reprogram funding from existing projects, finance private sector health interventions, and provide technical assistance. The African Development Bank (AfDB) can provide some additional concessional emergency funding (potentially up to \$165 million in concessional loans or grants) to African Development Fund countries classified as fragile states and can provide some very small grants (less than \$2.5 million) for humanitarian support. However, health is not a comparative advantage for the AfDB, so we would urge it to focus on helping countries respond to the economic effects or invest in health-related infrastructure (e.g., water supply and sanitation, electricity for health facilities), as it did for the 2014 Ebola outbreak.



**Information Memorandum Clearance Sheet**

Subject: MDB Tools for Coronavirus Response

Drafted: (b)(6) MDB Office, (b)(6)

Approved: Under Secretary for International Affairs Brent McIntosh (3/2/20)

Cleared: PDOAS International Finance & Development – Geoffrey Okamoto (3/2/20)

DAS Intl Devt Finance & Policy – Mathew Haarsager (2/26/20)

Africa/IA Health Economist – (b)(6) (2/25/20)

WB OUSED – (b)(6) (2/25/20)

AsDB OUSED – (b)(6) (2/25/20)

GC/IA – Dave Sullivan/ (b)(6) (b)(6) (3/2/20)

Exec Sec – (b)(6) (3/6/2020)

Exec Sec – David Dwyer (3/6/2020)



March 17, 2020

## INFORMATION MEMORANDUM FOR SECRETARY MNUCHIN

**SUBJECT:** Economic Fallout in the Middle East and North Africa (MENA)

**FROM:** Brent McIntosh, Under Secretary for International Affairs

The MENA region faces heightened health and economic impacts from COVID-19, notably given the significant virus spread from Iran. The resulting economic slowdown and the collapse in oil prices raise significant economic risks across the region.

### *COVID-19 Outbreak in MENA*

**In the Middle East and North Africa region, there have been over 17,000 officially confirmed cases of COVID-19, with nearly 1,000 related deaths (as of March 17), the largest set outside of China and Italy.** Across the MENA, the vast majority of people who have contracted the COVID-19 are in hard-hit Iran or had recently returned from there. Outside of Iran, only Iraq, Egypt, and Lebanon have recorded deaths from the virus. Israel has over 300 reported cases, mostly linked to Italy.

### *Health Sector Capacity and Vulnerabilities*

**Iraq, Lebanon, and Yemen are the most vulnerable countries in the MENA region, due to integration with Iran, weak governments, and poorer health systems.** To stem the spread of the virus, travel across the region, particularly to and from Iran, has been suspended or severely restricted by many countries, including in the GCC where Saudi Arabia and Kuwait have closed their borders this week. Limited movement of people and goods across borders may stem the spread of the virus but will accelerate negative economic headwinds that many countries in the region already face. In addition, closures of public spaces will add a further economic drag. The collapse of oil prices at the same time raises questions for a number of countries on how to increase fiscal spending to address the health crises and economic downturn. Others will need to draw down on buffers, though most non-oil producers have already depleted such savings.

**Iran** has a well-developed health sector, which normally attracts many people from the region, particularly Iraq, seeking medical treatment. Iran also has recent experience controlling the outbreak of disease, including containing the spread of the flu last year. There are, however, severe shortages of medical supplies due in part to chronic mismanagement and sanctions. Iran is seeking multilateral assistance, including from the IMF and the World Bank to boost its COVID-19 response.

**Iraq** has attempted to restrict movement along its long, porous borders with Iran but will struggle to manage the outbreak as hospitals are severely under-resourced. Iraq's general lack of capacity, its ongoing delay in forming a government, and the transitional government's resultant lack of authority all hinder its coronavirus response.



The war in **Yemen** has decimated an already weak healthcare system. An outbreak of cholera started in 2016 and has only recently been controlled after a major internationally-led vaccination campaign. Yemen also has limited governance across much of the country, so the virus could spread unchecked.

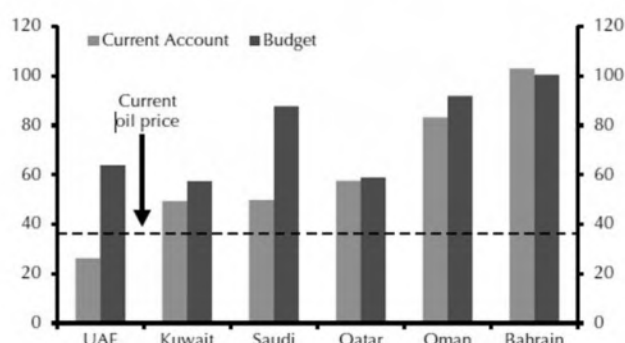
**Lebanon**, in the midst of a major economic crisis, is ill-equipped to manage the challenges coming from the coronavirus. The public health care system, poorly managed from years of corruption, is struggling to import needed medical supplies due to the shortage of currency. While the central bank is prioritizing medical supplies and other necessities in allocating scarce foreign exchange, widespread shortages are reported. The government has so far closed schools and other areas with large gatherings while imposing travel bans.

### *Potential Economic Impacts*

**The global economic slowdown and travel disruptions will hurt regional growth, compounded in many cases by the 45 percent drop in oil prices since January.**

Prior to the collapse of the OPEC+ agreement and Saudi-led price cut last weekend, global oil prices had fallen sharply on demand concerns related to the COVID-19 outbreak. With depressed demand from China, the International Energy Agency (IEA) expects global crude oil demand to contract in the first quarter 2020 for the first time in more than 10 years. The drop in oil prices to mid \$30s per barrel will lower fiscal revenues in the Gulf by 2 to 4% of GDP, depending on the country.

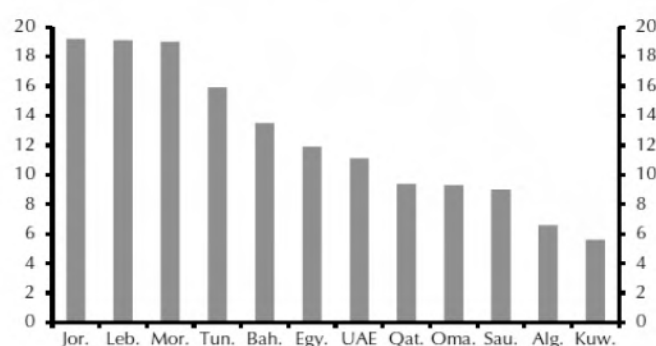
Chart 1: Gulf Breakeven Oil Prices (\$pb)



Lower prices and demand for oil will worsen fiscal and current account positions to the point that all Gulf economies, save possibly Qatar, could swing into deficit. Most of the Gulf countries have large accumulated foreign exchange reserves and fiscal savings in central banks and sovereign wealth funds, which during the 2014-2015 oil price slump were used to finance these deficits. The fiscal breakeven price is above \$80 per barrel for Bahrain, Oman, and Saudi Arabia. Saudi Arabia has already announced a 20% cut in government expenditures, and countries across the region will likely attempt to issue more debt. Kuwait, Qatar, and UAE have lower fiscal breakevens and ample buffers. Iraq faces severe financial stress with a fiscal breakeven of \$60, projected deficit of about \$35 billion (15% of GDP), and limited macro-fiscal tools.

**Overall, analysts currently expect GDP growth in the region to be 0.5-2.0% lower than pre-virus estimates, which were for growth in the 2% range. 2020 was already going to be a challenging year for some**

Chart 4: Tourism (% of GDP)



Gulf oil exporters with persistent fiscal deficits, growing debt service obligations, soft oil demand, and a loss of interest from global investors in potential privatizations. Tourism accounts for a material portion of GDP in several MENA states, making them particularly vulnerable to the slowdown. Morocco, UAE, Tunisia, Turkey, Egypt, Jordan, and Lebanon all stand to be hard hit as global tourism grinds to a halt.

**Governments that depend on GCC-member foreign aid and direct financial support will face a difficult year.** Conflict zones in need of aid and reconstruction support—especially Yemen, Syria, West Bank Gaza, and Libya—may see new threats to sources of support already under political strain. These countries may seek new financing and support from international financial institutions.



**Note Clearance Sheet**

Subject: Economic Fallout in the Middle East and North Africa

Drafted: MENA – (b)(6)

Approved: Brent McIntosh, U/S International Affairs (3/17/2020)

Cleared: Geoffrey Okamoto, PDOA/S for International Finance (03/12/2020)

Jeff Klein, GC (03/12/2020)

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