

In Search of Creative Reliability
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We face uncertainty about whether economic activity will revive as the public health situation improves. We need policies that combine reliable effectiveness under varying conditions and creativity in forging new ways to support Vermont and Vermonters.

An economic recovery will require an increase in spending by consumers and businesses, which would then drive an increase in output and employment. But many forms of spending require an estimate of future costs and benefits, which is hard to do now. People will not purchase non-essential goods and services when they are not sure how long their money will last. Businesses will not buy inventory, invest in machines, or re-hire workers if they are unsure about their sales.

Usually we can use information about the past and the present to estimate future conditions. We know what the different possible outcomes are, and we can calculate the probabilities of different results. But under the uncertainty we now face, not only is it hard to calculate probabilities of different outcomes with any confidence, we may not even know all the outcomes that may come to pass. This uncertainty about public health and about economic activity will make people slow to spend and businesses slow to re-hire, which will further slow the recovery. I think that economic activity may be so slow to start up again that the state will need to continue to play an important role in economic support and stimulation.

Policy actions taken to revive the economy need to be reliable in achieving both health and economic goals. By reliable I mean policy actions that will work well across a variety of conditions, and that can be expanded or contracted or re-designed as conditions evolve.

But our actions must also be creative. We must put together new public/private partnerships and use policy tools in new ways. We must work with agriculture and real estate owners to do even more to provide food and shelter to Vermonters who are struggling. If unemployment remains high beyond a certain number of months, we should consider a Vermont Work Program of state service. We should support businesses that are switching to the production of urgently needed Personal Protective Equipment for frontline workers. We must ensure that support is available for businesses in hospitality and tourism that may not recover quickly. We need to invest in our health care system. We need to invest in expanding high speed internet connections to support remote learning and telecommuting.

And how will we finance such initiatives when state tax revenue has declined with the economy? Federal funds may help, but we will still face difficult choices. For the near future I think the state should defer all large purchases not related to supporting the health system or the economy. State legislators and upper level state agency administrators should take a pay cut. Scheduled pay increases for other state employees should be delayed. We should create a way for school districts to ask their teachers to defer scheduled compensation increases that will directly result in lower education property tax rates for each district that does this. Since most of both state costs and school district costs are employee compensation, controlling those costs is essential to allowing us to support other struggling Vermonters. If we need to increase state borrowing to make investments in telecommunications, hospitals, or housing, I think we should do so.

This is a time of shared sacrifice to support public health and to support the economy. I believe that working together we can forge policies that are both creative and reliable to re-build a stronger Vermont.