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Stimulus deal looks dead after Trump calls off talks

The president abruptly asked Treasury secretary to no longer negotiate a second pandemic bailout until after the election.

By [Larry Edelman](#) and [Shirley Leung](#) Globe Staff, Updated October 7, 2020, [47 minutes ago](#)



"Today, in an act of desperation, the President has told the GOP Senate to 'focus full time' on confirming his nominee to the Supreme Court to overturn the Affordable Care Act instead of crushing the virus and meeting the needs of the American people." Nancy Pelosi said in a statement. STEFANI REYNOLDS/BLOOMBERG

President Trump on Tuesday abruptly ended his administration's discussions with

Democrats for another round of economic stimulus, raising the odds that additional help for millions of unemployed Americans and struggling businesses won't arrive until at least after Election Day and perhaps not until next year.

In an afternoon [post on Twitter](#), Trump accused House Speaker Nancy Pelosi of bad faith in her monthslong negotiations with Treasury Secretary Steven Mnuchin. He said the talks would resume after the election, "when, immediately after I win, we will pass a major Stimulus Bill that focuses on hardworking Americans and Small Business."

In the meantime, he urged Senate majority leader Mitch McConnell to focus the chamber's efforts on clearing the nomination of federal appeals court Judge Amy Coney Barrett to the Supreme Court.

The surprise announcement, coming less than a day after Trump [returned to the White House from the hospital](#) where he was being treated for COVID-19, drew swift condemnation from Democrats.

"Today, in an act of desperation, the President has told the GOP Senate to 'focus full time' on confirming his nominee to the Supreme Court to overturn the Affordable Care Act instead of crushing the virus and meeting the needs of the American people." Pelosi said in [a statement](#).

And in another move that has major implications for the state's economy, the administration announced changes to [the H-1B visa program](#) that will make it more expensive for employers to hire highly skilled workers from overseas. Massachusetts employers, especially in tech and biotech, are big users of H-1B visas.

Pelosi and Mnuchin had been wrestling over the size of a second coronavirus relief package, unable to agree how much money is needed to boost consumer spending and sustain the economy until a vaccine is ready. The biggest sticking point was aid to state and local governments.

Investors and business leaders have been clamoring for more fiscal stimulus from the

government, warning that the recovery in [consumer spending](#) and [job creation](#) that began in May is in danger of stalling without a follow-on to the [CARES Act](#) that Congress

passed in March. It's a view shared by Trump's own Federal Reserve chairman, Jerome Powell.

Just hours before Trump's announcement, Powell said in a [virtual speech](#) to business economists that the economy was far from fully healed, and the danger was in spending too little money, not too much, to ensure continued gains.

"Too little support would lead to a weak recovery, creating unnecessary hardship for households and businesses," he said.

The Fed has been credited for quick action at the outbreak of the pandemic, using its monetary powers to flood the economy with almost free money. But, Powell said, "The recovery will be stronger and move faster if monetary policy and fiscal policy continue to work side by side to provide support to the economy until it is clearly out of the woods."

Stock prices have been rising and falling along with prospects for a stimulus deal, and they [immediately sank on Trump's announcement](#). The Dow Jones industrial average, which had been up modestly, reversed direction and shed 376 points, or 1.3 percent, to close at 27,772.76. The value of stocks tumbled \$475 billion on the day, as measured by the Wilshire 5000 index.

Much of the \$3 trillion in CARES Act money has been spent or is sitting in the bank as consumers build a cushion against further hard times. Businesses have blown through the forgivable loans made under the [Paycheck Protection Program](#). And enhanced unemployment benefits that helped more than 20 million Americans get by for months have run out even as layoffs continue unabated.

"This is a serious setback in a delicate stage of the recovery," said Dec Mullarkey, managing director of SLC Management in Welleslev. though he cautioned that Trump's

move may be a negotiating ploy.

If he sticks with his decision to pause stimulus talks, Trump appears to believe that quickly pushing through his nomination of Barrett to the Supreme Court is politically smarter than striking a deal with Democrats on the economy.

“The president seems to be betting that his supporters care more about the Supreme Court approval than the stimulus plan,” said Karen Firestone, CEO of Aureus Asset Management.

And as Dan Kern, chief investment officer at TFC Financial in Boston, noted, “The lack of pandemic relief will hurt the economy, but major harm in terms of [economic] growth and the jobs market won’t be fully reflected in economic releases until after the election.”

The House last week passed a [\\$2.2 trillion relief bill](#), down substantially from a \$3.5 trillion plan Democrats pushed through in May. The package included the resumption of \$600-a-week enhanced unemployment benefit through January, a second round of \$1,200 payments to most Americans, \$25 billion to keep airline workers on the payroll, and billions for assistance with rent and mortgage bills.

In his talks with Pelosi, Mnuchin made a counteroffer of \$1.6 trillion, with the biggest difference being the GOP’s proposal of \$250 billion in aid for state and local governments, compared with the \$436 billion sought by Democrats.

McConnell told reporters he agreed with Trump’s position.

Later in the evening, amid a furious blizzard of tweets and retweets, many on debunked claims about Hillary Clinton and the FBI, Trump muddied the waters by saying he was willing to sign standalone bills picking off popular items included in the broader stimulus discussions. The measures he said he would support: another round of \$1,200 stimulus checks, \$25 billion in aid for airlines, and \$135 billion for renewing the Paycheck Protection Program for small businesses.

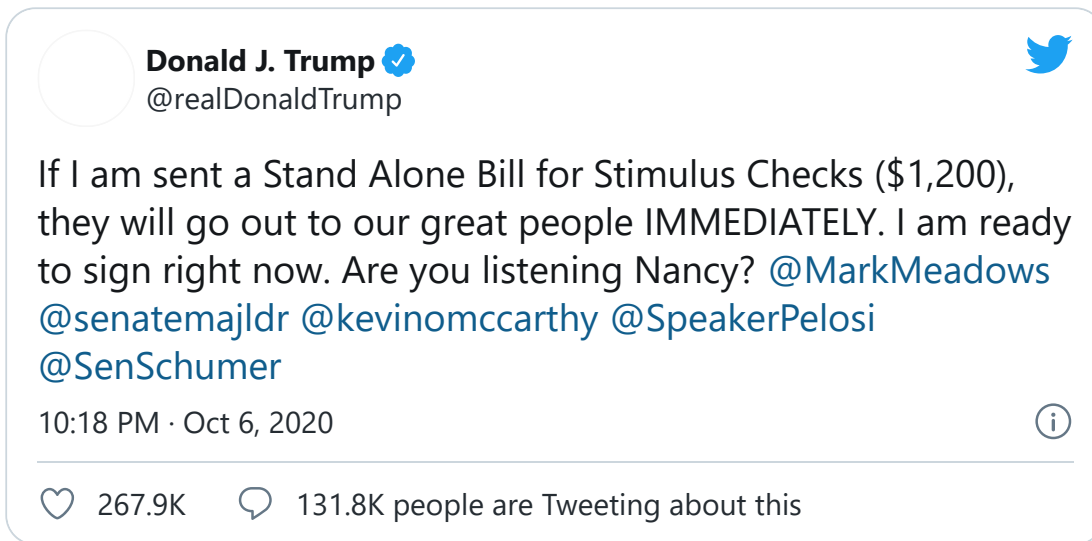
company, said that while his firm and the broader tech sector have been resilient during the pandemic, a new stimulus package is important because “we are all dependent on a functioning economy.”

“As the pandemic drags on, the stimulus becomes even more important to individual families, businesses, and the broader economy,” said Ali.

Correction: An earlier version of this story misstated the amount of the \$3.5 trillion stimulus legislation approved by the House in May.

Larry Edelman can be reached at larry.edelman@globe.com. Follow him on Twitter [@GlobeNewsEd](https://twitter.com/GlobeNewsEd).

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Delaying another stimulus package has huge implications for state budgets, which face looming deficits brought on by the pandemic. It also means that individual lawmakers facing voters in less than a month — like Trump — will be unable to boast of a new round of stimulus money.

Massachusetts, in particular, is bracing for a long economic recovery because it was hit hard by COVID-19, when it shut its economy in the spring to contain the virus. That led to the loss of [more than 375,000 jobs](#) from March to August, and the highest unemployment rate in the country in June and July.

“President Trump’s decision to halt negotiations to provide aid to states and municipalities is as mystifying as it is hurtful to those who need federal COVID-19 relief. People want help right now, not bluster,” Robert DeLeo, speaker of the Massachusetts House, [said on Twitter](#).

In [a survey](#) released Monday, the National Association of Business Economists said respondents had become less bullish about economic growth next year. The forecasters expect gross domestic product, the country’s output of goods and services, to expand 3.6 percent in 2021, down from a forecast of 4.8 percent growth in June. They see GDP falling 3.8 percent this year.

Mohamad Ali, the chief executive of IDG, a Framingham tech research and media company, said that while his firm and the broader tech sector have been resilient during