



## **As workers, businesses seek more aid, politics could stall further stimulus in Congress**

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WASHINGTON - As lawmakers look beyond an interim coronavirus stimulus package expected to be signed by President Donald Trump this week, Democrats say Congress needs to think even bigger for the next round of emergency relief, but some Republicans are beginning to worry the price tag for stimulus efforts is already getting too big.

A WalletHub survey released Wednesday found 84% of Americans want another round of direct stimulus payments and nearly 160 million people are less than three months away from going broke. Experts estimate that even with the additional \$310 billion Congress is set to pour into the Paycheck Protection Program, the small business loan funding is likely to run out again within two weeks, and governors continue to press for hundreds of billions of dollars to mitigate their economic losses.

The \$484 billion legislation passed by the Senate Tuesday and expected to clear the House Thursday amounts to a temporary patch on the small business loan program and another infusion of cash for hospitals and testing efforts. Republicans rebuffed Democrats' demands to include aid for state and local governments facing budget shortfalls due to the outbreak.

President Trump has signaled he is open to increased funding for states, hazard pay for medical staff, infrastructure spending, and other priorities lawmakers have suggested in a fourth stimulus package, but the politics of another round of big-ticket spending are growing more precarious as states move to reopen their economies.

Despite some partisan sniping and backroom haggling, the first three coronavirus relief bills sped through Congress with relatively little trouble, with both sides recognizing the urgency to act. The finger-pointing over the interim measure passed Tuesday has been more intense, as Republicans sought to limit the bill to replenishing the small business loan program and Democrats argued for additional spending.

The next battle is unlikely to be any easier. Senate Majority Leader Mitch McConnell, R-Ky., told Politico Tuesday he is unwilling to begin work on more emergency stimulus legislation until the Senate is back in session, which may be weeks away.

“We need to see how things are working, see what needs to be corrected, and I do think that the next time we pass a coronavirus rescue bill we need to have everyone here and everyone engaged,” he said.

McConnell also expressed a need for caution over the cumulative cost of relief packages after leaders in both parties largely sidestepped the debt implications of the nearly \$3 trillion Congress has spent so far.

“I think it’s also time to begin to think about the amount of debt that we’re adding to our country and the future impact of that,” he said.

Other Republicans have been even more outspoken. Sen. Rand Paul, R-Ky., spoke on the Senate floor Tuesday in opposition to the latest relief package, though he did not object to its passage.

“Our annual deficit this year will approach \$4 trillion. We can't continue on this course. No amount of bailout dollars will stimulate an economy that is being strangled by quarantine,” Paul said.

Democrats are reluctant to hit the brakes on federal assistance now, though. Leaders said Tuesday they are eyeing more spending for state and local governments, hospitals, health care workers, small businesses, elections, and infrastructure—all of which could add up to even more than lawmakers have already approved.

“COVID 4 will be much more along the lines of COVID 2, big, bold, robust, with new things in it than COVID 3.5,” Senate Minority Leader Chuck Schumer, D-N.Y., told reporters. “The purpose of COVID 3.5, which they laid out, was to augment some of the existing programs that didn't have enough money and weren't aimed at the right people. COVID 4 will be a world of difference: bigger, bolder, better.”

Some members of Congress have already floated ambitious proposals that would undoubtedly alleviate economic damage caused by the outbreak but would also levy a hefty cost on the federal budget. Several House Democrats have proposed providing monthly \$2,000 stimulus checks and canceling rent and mortgage payments for a year, while Republican Sen. Josh Hawley wants to offer a payroll tax rebate that would cover 80% of payroll expenses.

“The old strategies have failed us. This is an unprecedented crisis, and it is time for government to respond in an unprecedented way,” said Rep. Tim Ryan, D-Ohio, one of the sponsors of the \$2,000-a-month proposal, in a MarketWatch op-ed.

A new analysis by the Cato Institute estimates the federal spending approved so far and the projected loss in tax revenue due to the economic downturn could add a total of \$6 trillion to the federal debt, which is already nearing \$24.5 trillion.

“Our national debt was already on an unsustainable trajectory prior to the coronavirus, and the current crisis means that reckoning will come much sooner. If we do borrow more, it should be as part of a laser-focused effort to stabilize the economy and public health situation to combat this current crisis head on,” Maya MacGuineas, president of the Committee for a Responsible Federal Budget, said in a statement.

With the nation's economy teetering on the precipice of disaster, though, Erica York, an economist with the Center for Federal Tax Policy at Tax Foundation, said the priority now should be facilitating a quick recovery, not preventing an eventual debt crisis.

“At some point in the future, when the economy has recovered, lawmakers will need to address the growing federal deficit, but now is not the time to address those concerns,” York said. “Now is the time to act swiftly to prevent a prolonged economic downturn.”

Some experts say the economic cost of Congress not doing enough could also be high, especially for those most in need of assistance. Without a lifeline from the federal government, states could be forced to cut education, health care, and critical social safety net programs as they scrounge to balance their budgets for the next fiscal year.

“The approaching state budget cuts (and possibly tax increases in some areas) will cause the U.S. economy to contract further — making the economic downturn deeper and more protracted, causing many more people to lose their jobs, and magnifying the serious hardship we already see,” Robert Greenstein, president of the Center on Budget and Policy Priorities, said in a statement.

Greenstein also called for increased food assistance and unemployment benefits and programs to mitigate loss of health insurance and other financial hardships caused by the crisis.

“The next package should not only address immediate needs and problematic gaps in the earlier relief measures, but also ensure that key provisions to keep the economy from sinking further and to alleviate hardship remain in place until unemployment is no longer high and the economy has significantly recovered,” he said.

The Economic Policy Institute has also proposed a more generous plan for a fourth round of stimulus funding, including \$500 billion for states, more extended unemployment insurance, another direct payment to households, and deficit-financed infrastructure investment.

“How policymakers respond now will determine the level of pain working families experience and the speed at which the economy can get back on track after the shutdown period is over. The relief and recovery packages passed since the crisis began included many good measures, but they are still too little and some provisions in these packages represent policy missteps,” EPI analysts wrote in a policy brief.

Rather than short-term measures and new policies, York suggested a fourth stimulus bill should look at making lasting changes to the tax code that eliminate obstacles to economic activity. Subsidies and tax holidays produce a sugar high that can temporarily boost growth, but allowing full expensing of investment or preventing increases to taxes on research and development costs could spur more long-term benefits.

“There is a bigger risk now of doing too little than doing too much, and lawmakers ought to keep that in mind as they consider additional funding for businesses and individuals grappling with the effects of the public health crisis,” York said. “Businesses and individuals need help to overcome short-term liquidity constraints stemming from the halt of economic activity.”